Daily Report

East Europe

FBIS-EEU-93-104
Wednesday
2 June 1993

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FBIS-EEU-93-104 *2 June 1993*

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Visegrad Group Responds to EC Commission

LD0106174193 Prague CTK in English 1725 GMT 1 Jun 93

[Text] Brussels, June 1 (CTK)—The Czech and Slovak Republics, Hungary and Poland—members of the so-called Visegrad Four regional group—have drafted a joint document responding to a European Community (EC) Commission report recommending closer cooperation between the EC states and central and east European countries.

The document was submitted to the Danish ambassador to the EC here by the heads of the Visegrad countries' missions today. Denmark currently holds the chairmanship of the EC.

Representatives of the Visegrad countries voiced hope that a forthcoming EC summit in Copenhagen would approve measures aimed at helping the countries, which have signed EC association agreements, to prepare themselves for full EC membership.

They noted that the Copenhagen summit would take place at a time when the Visegrad countries were entering the decisive stage of their economic transformation and expressed hope that the EC would support their economic reforms with concrete steps.

The Visegrad states considered the EC Commission report a move in the right direction which testified to EC understanding of their needs, the document says. Though the report did not fulfil all expectations of these ex-communist countries, the document expressed their hope that the report would be approved in Copenhagen.

They said they hoped the summit would give a clear political signal for the support of central European countries and for strengthening political dialogue with them, and that it would express an obligation to admit them as full EC members in future and to open wider the EC countries' markets for their goods.

Pavel Telicka, charge d'affaires in the Czech Republic's permanent EC mission, told CTK it was access to EC markets that represented the key problem for the Czech Republic. We would welcome if the lifting of duties and other barriers to our trade with the EC proceeded more quickly, he said. But we understand that given the economic difficulties the EC is currently experiencing the proposals contained in the EC Commission report are the best we can achieve at present, he added.

Black Sea Commission Session Opens in Bulgaria

AU0106193693 Sofia BTA in English 1756 GMT 1 Jun 93

[Text] Sozopol, June 1 (BTA)—The state of the Black Sea and Black Sea fishing regulations were discussed today at the 19th session of the Joint Black Sea Cooperation Commission between Ukraine, Russia, Romania and Bulgaria opened in this Black Sea Bulgarian town. Such meetings are traditionally held once every two years. Turkey still has the status of an observer. The agreement signed between the member-states in 1959 is outdated and needs amendment, according to Mr. Nikolay Kisyov, chief of the State Fishing Inspectorate with the Bulgarian Ministry of Agriculture. The session will discuss agreements for future cooperation drafted by Russia and Ukraine. The four member-states will receive 9 million U.S. dollars for a term of three years within the framework of one of the UN programmes to improve the state of one of the most polluted seas in Europe. They are also to sign a Convention on Black Sea Environment Protection which will probably be joined by Turkey.

Writers League Protests Serb Policy in Kosovo

AU2805164693 Tirana Radio Tirana Network in Albanian 1330 GMT 28 May 93

[Text] The Serbian chauvinist barbarity knows no limits, according to the protest that the Albanian Writers and Artists League has addressed to international forums and public states. The protest says that the last act, as shameful as it is inhuman, of destroying the prestigious Rilindja Publishing Enterprise has only one meaning: to shut the mouth of the martyr Kosovo so as to to commit the tragedy in silence.

The Albanian writers and artists protest with all their force against the medieval violence used to grab the freedom, right of speech, life, and independence of half of the Albanian people. This assassination is occurring in broad daylight, at the end of the 20th century, and before the eyes of Europe, the United States, and the whole civilized world.

We have been and are, with our minds and hearts, near our brothers of the same blood, near the fighter of freedom crowned with the Saharov prize, the resolute writer and intellectual, Adem Demaci. We are near the Rilindja reporters, writers, and heroic employees who have entered the road of self-sacrifice, their hunger strike. The Serbia of Milosevic, fed up with the blood of the Balkan peoples, is suffocating the last breath of the free word in Kosovo.

We appeal to intellectuals, writers, artists, and the whole international public to raise their voice of protest and solidarity to stop the black hand of the Greater Serbians and permit Kosovo to enjoy, as all others, its legitimate rights and its free life as the consciousness and dignity of the civilized world requires, the protest of the Albanian Writers and Artists League concludes.

Ministry Signs Health Agreement With Russia

AU2805133693 Tirana ATA in English 1000 GMT 28 May 93

[Text] Tirana, May 28 (ATA)—An agreement was signed in Moscow between the Ministry of Health and Environment Protection of the Republic of Albania and the Ministry of Health of the Russian Federation for cooperation in the area of health and medical sciences.

The agreement foresees the cooperation in running the health service, prophylactic medicine, scientific researches, the qualification and specialization of cadres, the production of medical apparatuses, in the pharmaceutical industry, etc.

Deputies Adopt Telecommunication Agreement

AU2705203993 Tirana ATA in English 1806 GMT 27 May 93

[Text] Tirana, May 27 (ATA)—In the morning of May 27, the People's Assembly continued proceedings in plenary session. It adopted the agreement of guarantee of the loan between the Government of the Republic of Albania and the Bank of Europe for Reconstruction and Development on the project of the development of the Albanian telecommunication. On the basis of this agreement, about 33 million dollars will be used on the extension and modernization of the local interurban and international system of Albania.

The People's Assembly ended its proceedings for this week with the approval of the decree of the president of the republic for some changes in the granting of passports and visas for abroad.

The People's Assembly will start proceedings on June 1.

Selami Views Transition to Democracy

AU2805173593 Tirana RILINDJA DEMOKRATIKE in Albanian 20 May 93 p 1

[Speech by Democratic Party Chairman Eduard Selami at news conference on 17 May; place not given: "The Year of the Consolidation of Democracy"]

[Text] The peculiarity of the present political situation in Albania is the continuous progress of democratic processes and the consolidation of democracy in the difficult transition period. Despite the difficult conditions under which the Democratic Party assumed the country's management a year ago, every objective man who analyzes this one-year period, in which the democrats governed in coalition with the social democrats and the republicans, notices fundamental and positive changes. The year we governed was the year when we consolidated democracy; improved the political, social, and even economic situation; undertook concrete steps to open the country and integrate it into the present international, European, and world trends; stabilized public order; created a legislation under the conditions of a law-governed state; took important steps in privatization, especially in the countryside, something that evidently reveals the priority of the agrarian policy followed by the democrats. Inflation was reduced by up to 0.9 percent per month, and this is another important and positive indicator of the stabilization of the situation. On the other hand, it should, however, be understood that this transition period is a difficult period. There still exists a high rate of unemployment and assistance, with about 220,000 unemployed, which is equal to 15 percent of the population capable to work. This is a social problem we should face. We should also accelerate the rates of privatization and foreign investment. There is no doubt that foreign investments constitute the key to the Albanian economy. In this framework it should be said that the presence of war in former Yugoslavia is not a small obstacle. Thus, the complicated situation in the region, which constitutes the most serious crisis in Europe, after World War II, is added to the natural transition difficulties.

Albania is rightly assessed as the most difficult country and the last to enter the road of democracy. Today, it is accounted as one of the most stable countries in which,

according to polls by international institutions, 77 percent of Albanians think that the country is going on the right road. This is the highest figure of support given to a democratic policy in former communist countries. The foreign policy followed by the Democratic Party has completely turned to the function of the national question, that of integrating Albania into new trends and solving the question of Albanians living in the territory of the former Yugoslavia. Despite the very complex situation in the region, Albania is maintaining a clear stand favoring peace while solving regional problems. Our position favors the interest of Albanians and is a pro-European one. In this framework we recognized the former Yugoslav Republic of Macedonia as an independent state. Considering the interests of approximately one million Albanians living in this republic, we will, however, not allow its admission into the CSCE without fulfilling the rights of the Albanians who constitute 40 percent of its population. Concerning the war in the former Yugoslavia, we remain loyal to our previous stand that, without taking stringent measures including the NATO military measures, the Serbs who are led today by war criminals will not be halted and this will further complicate the situation in the region. The installment of the peace-keeping forces in Kosovo and in the former Yugoslav Republic of Macedonia, as soon as possible, is a basic condition to avoid the conflict extending to the south, which would mean a Balkan war with very grave consequences for the region. Europe and the international community should better respect the principles that they, themselves, have created and while taking decisions, they should not be led by historic or religious factors, because this may cause harmful and unanticipated consequences.

Alongside the course of the reform and the all-round support to it, the internal situation is accompanied with a revival of the conservative Enverist and communist forces who, gathered around the Socialist party and its allies, want to destabilize and create irregularities by all means. Their agressivity increases as long as there are concrete results in consolidating democracy and as many times as their colleges in Russia undertake any offensive. Finally, this offensive is related to the defense they put up to the chief of the former communist mafia, Fatos Nano, who was appointed by the hands of Nexhmije Hoxha and Ramiz Alia. Fatos Nano is facing clear evidence of corruption and the defense made by him, here and there, is not only miserable but also immoral. The fact that a great part of the Socialist Party has been put into motion to defend a thief is extremely insulting for the healthy part of the Socialist Party. The democratic government will not, however, be stopped from detecting and condemning corruption, whatever price it may have. This is the promise we have given to the people; this is the desire of the honest people, irrespective of party affiliations. The Democratic Party and government enjoys the support of the progressive and democratic forces at home and abroad concerning the policy followed and the results achieved.

Thank you!

Berov on Upcoming Visit to Macedonia

AU0106194293 Sofia BTA in English 1750 GMT 1 Jun 93

[Text] Sofia, June 1 (BTA)—In connection with his forthcoming visit to Skopje, Prime Minister and acting Foreign Minister Lyuben Berov told BBC he expected three agreements to be signed there, which would intensify trade relations between Bulgaria and Macedonia. The Foreign Ministry's Press Office today quoted Mr. Berov as saying that he expected the visit to be a step towards stability in Macedonia. "In this way we declare that we support Macedonia's stability as a state, we support its borders and sovereignty," Prime Minister Berov said.

Prime Minister Lyuben Berov will visit Macedonia on June 6 and 7 at the invitation of the Macedonian Government.

Choba Dam Situation 'Under Control'

AU0106194093 Sofia BTA in English 1740 GMT 1 Jun 93

[Text] Sofia, June 1 (BTA)—According to the chief of the Bulgarian Civil Defence, the situation in the region of the Choba Dam is under control and the threat of flooding has been prevented.

Representatives of the Regional Directorate of the Interior gave a press conference today on the bombing of the water outlet of the Choba Dam (near the city of Plovdiv, southern Bulgaria). A do-it-yourself explosive device was placed on the concrete shaft which was blown up along with the turncocks.

The initial fears that the pipe to the concrete shaft had also been damaged proved unjustified. The level of the water in the dam has dropped by two meters and is continuing to drop. Proceeding from the amount of water which has flown out, experts have calculated that the explosion took place in the evening of May 30.

A team of divers is working on the spot. Three kilometers downstream there is a second dam which is full and its outlet is working normally.

According to the deputy mayor of the municipality of Brezovo the danger posed by the Choba Dam is exaggerated and there is no threat of a rupture of the dam. There are 800 cubic meters of water in the dam and if necessary it can be drained in 12 days. But according to experts, this will not be necessary.

A metal grate will be placed on the damaged shaft and sacks of sand will be piled on it to reduce the outflow of water to the minimum, according to Colonel Ivaylo Ivanov, chief of the Preventive Activities Department with the Civil Defence. This would make it possible to start repairing the damaged section of the dam.

The inhabitants of the three threatened villages situated from 5 to 6 km. from the dam are on the alert and ready for evacuation, if this becomes necessary.

The dam is owned by the local cooperative farm which is under liquidation. It was leased and stocked with 20,000 fish. The police suspects that the explosion was an act of revenge or blackmail but so far it has no concrete information about the perpetrator.

There is constant radio contact between the teams working in the region of the dam and the nearby population centres as well as with the local commissions for management of natural disasters and major industrial accidents. For the time being the inhabitants of the villages of Bolyarino and Shishmantsi, situated in the flood-danger area will not be evacuated.

Official Says Livestock Disease Eliminated

AU0206063493 Sofia BTA in English 1531 GMT 1 Jun 93

[Text] Sofia, June 1 (BTA)—The focus of foot-and-mouth disease [FMD] was eliminated today, Dr. Todor Aleksandrov, director general of the National Veterinary Service, told a briefing at the Ministry of Agriculture today. He spoke about the measures taken to localize and eliminate the disease.

Dr. Aleksandrov recalled that the farm near Simeonovgrad (southeastern Bulgaria), identified as the focus of foot-and-mouth disease, was destroyed on May 27. The Simeonovgrad area was examined thoroughly. All cloven-footed animals except pigs, which proved immune to the subtype of the virus causing the disease, were examined and vaccinated in nine villages. 503 head of cattle and 929 sheep and goats were destroyed. 250 sheep and goats and 45 to 50 head of cattle are to be destroyed today, after which the disease will be eliminated, Dr. Aleksandrov said. Some 20 tonnes of caustic soda will be used in the disinfection of the area.

Blood tests show that no animals in several population centres have or have had the disease, Dr. Aleksandrov said categorically. According to him, all necessary measures have been taken to eliminate the disease. Soldiers and police have guarded and cut off the animals since the disease was diagnosed, he said. The Kapitan Andreevo border crossing is disinfected with 2 percent caustic soda twice a day. All roads leading to the focus of infection are guarded by soldiers and police.

Dr. Aleksandrov firmly denied reports in the press that the epidemic broke out in April. According to him, the focus of the disease was located on time and the danger was eliminated. By contrast, Italy has had 52 foci of foot-and-mouth disease recently and Turkey has continually been finding FMD cases, Dr. Aleksandrov said.

A tripartite commission including representatives of the International Office of Epizootics, the Food and Agriculture Organization and the European Community will

arrive in Bulgaria on June 6 to check out the measures taken to control the epidemic. The commission will visit the Kapitan Andreevo border crossing to plan measures to prevent transmission of the disease in future because Bulgaria has a strategic position in the Balkans and can serve as a barrier to the virus's spread in Europe, Dr. Aleksandrov said.

Cabinet Approves Draft Bills, Agreements

AU3105202093 Sofia BTA in English 1741 GMT 31 May 93

[Text] Sofia, May 31 (BTA)—At its meeting today, the cabinet adopted in principle a decision on the new structure and functions of the Power Engineering Committee. The control of the extraction of uranium, oil and natural gas is still an open question. Some two months ago the government dismissed the chairman of the Power Engineering Committee and placed it in the charge of Mr. Neycho Neev, deputy prime minister and minister of transport. The government undertook to work out and submit a new concept of the development of the energy sector and a new structure of the Power Engineering Committee.

The government today postponed a discussion of the Juristic Persons' Profits and Income Tax Bill. The bill has given rise to a number of objections, a government Press Office source said.

The cabinet approved a draft agreement on cooperation between the Interior Ministries of Bulgaria and Ukraine. The interior minister will visit Ukraine to hold negotiations and sign the agreement.

On the motion of Mr. Valentin Karabashev, deputy prime minister and minister of trade, the Council of Ministers considered and approved a draft agreement on trade and economic cooperation with Macedonia. Mr. Karabashev was authorized to hold negotiations and sign the agreement.

The Council of Ministers considered a motion from Prof. Lyuben Berov, prime minister and acting minister of foreign affairs, for recognition of the independence of Eritrea and expressed readiness for the establishment of diplomatic relations with that state.

On the motion of Deputy Prime Minister Neycho Neev, it was decided that Bulgaria will accede to the European Energy Charter. Bulgaria will sign with reservations this document, concerning mostly the environmental problems of power generation, Mr. Nikita Shervashidze, deputy chairman of the Power Engineering Committee, explained at the government Press Office.

Mr. Shervashidze and Mr. Lyulin Radulov of the same committee were authorized by the government to hold negotiations with the European Bank for Reconstruction and Development on a 24 million ECU [European Currency Unit] assistance for the enhancement of the safety of Units One, Two, Three and Four of the Kozloduy Nuclear Power Plant. According to Mr. Shervashidze, the talks will be hard because the European Bank is setting what he sees as unacceptable conditions: To name a fixed date for decommissioning of these units, which is inadmissible in his view.

SDS Supporters Hold Protest Rally in Plovdiv

AU0106125793 Sofia KONTINENT in Bulgarian 26 May 93 p 2

[Report by Plovidv correspondent Elisaveta Shotilova: "Discontent Union of Democratic Forces [SDS] Supporters Hold Anti-Government, Election Rally in the Rain"]

[Text] Plovdiv, 25 May—Chanting "SDS!" and "victory!" and waving blue and green banners, supporters of the Sofia "day of discontent" organized a very similar demonstration in Plovdiv. Only the rain and hailstorm disturbed the ranks of the march in mid-town Plovdiv and the rally on Central Square.

Actor Prodan Dimov, who is a well known speaker of the former SDS election campaign, pointed out that the bad weather shows how communism still prevails even over the metereological service. The new elections are likely to bury the red corpses at last. This was declared from the rostrum. The supporters and fans of the SDS idea enthusiastically responded to this statement by pointing their thumbs down and hissing.

Any mention of the president's or the prime minister's name was accompanied by catcalls and more hissing. The speakers repeatedly described Prof. Berov as a lackey and President Dr. Zhelev as a traitor. Vasil Gotsev, for example, declared that our rights and freedoms are soon likely to be trampled upon as long as we are ruled by people of the Zhelev and Berov kind.

Mafia people are acting on the Bulgarian scene rather than reformers—this is how Ivan Kostov described the current government activities. Recently, the cabinet added repressive measures to its hypocrisy, but we remember how the winter of discontent and protest against the Lukanov government ended, the former finance minister recalled. Stefan Savov, who was welcomed as the hero of the Sofia "day of discontent," called for unity in the name of destroying communism. The SDS is neither afraid of the rain, nor of policemen's batons, nor of Berov and Zhelev, he said, promising victorious elections in autumn 1993.

KNSB Leader on Possible Dissolution of Parliament

AU0106170293 Sofia DEMOKRATSIYA in Bulgarian 27 May 93 p 8

[Interview with Professor Krustyu Petkov, chairman of the Confederation of Independent Trade Unions in Bulgaria, KNSB, by Georgi Tsonev; place and date not

given: "About 17 Percent of KNSB members Will Vote for the Union of Democratic Forces"]

[Excerpts] [passage omitted] [Tsonev] On what do you base your view that parliament is about to be dissolved?

[Petkov] I infer this from the analysis that we made following our meetings with certain parliamentary forces and factions, at which they informed us of their intentions. Parliament is increasingly slowing down. Since last year it has not passed a single important bill, with the exception of the Labor Code.

[Tsonev] Some time ago you described the cabinet as a puppet government. Was this an emotional reaction or a judgment you still hold now?

[Petkov] My conclusion was indeed taken as an expression of emotion by many people, including representatives of the government, but I believe it was accurate. I continue to maintain that the government is dependent on several organizations. One most clearly senses that it has the patronage of Podkrepa and people connected with it. The other thing I do not like is that for five months now it has not done anything significant in the field of privatization, which was the reason it came to power. Instead, scuffles broke out on the issue of the Privatization Agency, verbal duels were fought between ministers and deputy prime ministers, and so on. This created an impression not only in the KNSB [Confederation of Independent Trade Unions in Bulgaria] but also in the IMF and the World Bank that we Bulgarians are incapable of breaking the vicious circle and doing something meaningful. Furthermore, we should have continuity. Some of the work was set in motion last year. The Privatization Act was passed, an act I regard as ridiculous or unworkable. The present cabinet was supposed to start to apply this act, and after a year to make an analysis to see if any adjustments were needed. The government's lack of action has obliged us to change from criticism to firmer actions, such as proposing an adjournment of the National Council for Trilateral Cooperation. Perhaps this pressure had an effect on the cabinet, for during the last few days the situation has changed radically. Discussions have started on something real, and two large enterprises in Razgrad and Razlog have been sold to foreign investors.

[Tsonev] These days your biggest headaches are connected with the Berov privatization project. Which of the methods for privatization do you support?

[Petkov] I am against the two extremes—vouchers alone, or auctions alone. I support a mixed form of privatization, under which the hired workers and big businessmen—Bulgarian and foreign—will both have a chance.

[Tsonev] Despite your negative assessments, the KNSB has not yet come into drastic confrontation with the cabinet. Does not this confirm the impression that when the BSP [Bulgarian Socialist Party] favors governments, you do not go on strike?

[Petkov] Such views have indeed been bandied about in the lobbies and the press. However, for the past three years we have pursued a single tactic: We accept every cabinet on trust, and break our relations with it when it enters a confrontation with us.

[Tsonev] Following your warm feelings, you now seem to have divorced from Podkrepa. Is this coldness only ostensible, or have you quarreled?

[Petkov] I still like the idea of Podkrepa as an alternative democratic trade union with well-developed plant structures. My concerns and criticisms relate to certain actions by Podkrepa that I regard as foreign to trade-unionism. When one goes on strike to influence politics instead of the managements of enterprises, this is anarcho-syndicalism. I do not like Podkrepa's commercial and middle-man deals either. The trade unions may engage in business that forms part of the social services network, such as insurances, mutual assurance funds, social welfare, and other similar work. [passage omitted]

[Tsonev] Is it not time for the trade unions to openly declare their support for a particular political force, as is the case in certain countries with developed democracies?

[Petkov] I consider it is still too early, but this must happen eventually. This will be easier for Podkrepa to do, because it is a monolithic and centralized organization. For us it will be harder, because the KNSB contains members from both the left and right wings. Our researches show that between 17 and 20 percent of our members will certainly vote for the SDS [Union of Democratic Forces], while about 25 percent will vote for the BSP. The remaining 60 percent have no clear party preferences. We cannot show a party bias and so lose some of our members. For us, the winning formula is a national consensus on implementing the reform as quickly as possible. At the moment a political partner that corresponds to this view of ours does not exist.

Dimitrov Denies Engaging in Power Struggle

AU0106161293 Sofia KONTINENT in Bulgarian 28 May 93 p 10

[Genka Markova article: "Filip Dimitrov: The Coalition Survived Nevertheless. I Am Proud That It Happened When I Was Its Chairman"]

[Excerpts] The guessing game around the stability of the Union of Democratic Forces [SDS] coalition has not ended. This week also began with journalistic speculation that influential SDS figures are preparing a political coup aimed at removing the SDS chairman. They even compared him to a veteran fighter, whose time to step down from the stage has come. Precisely as one year ago, when the government led by him had its first serious problems, thus also today Filip Dimitrov remains a politician about whom radical opinions, which one day might turn out to be true, are expressed. One day....

People from one political pole predicted that he would fall as a sacrificial lamb at the last SDS conference two months ago. They were wrong. People from another pole point to Filip Dimitrov as a man who is striving to seize all the power within the coalition.

According to Filip Dimitrov, such processes are completely normal. They are part of the principles and mechanisms that move a political force called upon to implement a change. Outside forces, generally speaking those who want to prevent the change, could and want to place their own people within the SDS. They can rely only on the chaos and the weakness of the SDS as a force of change, and therefore, they strive to take the battle to SDS territory. [passage omitted]

The struggle for the leadership is an inevitable question in a conversation with the chairman of the SDS National Coordinating Council, especially when the internal hotbeds of tension are surveyed. The struggle could take the form of Filip Dimitrov and Stefan Savov against the rest, or, alternatively, Dimitrov against Savov. Dimitrov says that the existence of the second theory is a result of "work" done by "Stoyan Ganev's people and other similar people within the SDS." This shows how seriously one should treat it.

Dimitrov adds: Much effort is currently being invested in concocting some competition or clash between Stefan Savov and myself. The SDS is not composed of only two people. However, if any competition existed—it should necessarily be considered a negative factor, because we could resolve problems on the basis of personal wisdom.

Those who know Filip Dimitrov well say that he has the qualities of a diplomat and that he has good control over the mechanisms of the political game. However, against this background, it is not clear how one could explain those actions of Dimitrov that have caused a rift between him and his supporters and even his friends, and turned some of them into his bitter enemies. In most cases this was accompanied by burning all his bridges, leaving no way back. Was this a kind of personal insurance or a power game against those who threatened to leave the SDS? [passage omitted]

Union of Repressed Communists Formed

AU0106170493 Sofia DUMA in Bulgarian 27 May 93 p 2

[Text] The Sofia City Court has registered a party called the Union of Repressed Communists and Their Supporters in Bulgaria, created on 10 November 1989 in Sofia. Mr. Ivan Dimitrov Velchev is the party's chairman. The party's Central Council consists of people such as Mr. Tsvetko Anev from the group of Ivan Todorov-Gorunya; Mr. Mikhail Doktorov, sentenced for activity against the state on the basis of Article 1 of the Penal Code; and Prof. Nedyalko Belev, one of the four professors of the Kliment Okhridski University, dismissed for "antiparty statements."

Air Force To Train Romanian Pilots

AU0206055293 Sofia BTA in English 1921 GMT 1 Jun 93

["Today"—BTA lead]

[Excerpts] Sofia, June 1 (BTA)—Asparukh Panov MP, leader of the permanent Bulgarian delegation to the Council of Europe Parliamentary Assembly, and Filip Bokov MP, member of the delegation, today left for Geneva. They will take part in a meeting of the Parliamentary Assembly Political Committee. The MP's are scheduled to hold talks with the director-general of the UN Office in Geneva, Vladimir Petrovskiy. Mr. Panov will then leave for Paris to attend a meeting of the Parliamentary Assembly Bureau, which is expected to discuss the agenda of the next session and forward a draft resolution on Bulgaria's losses as a result of the embargo on Serbia and Montenegro.

A three-day Bulgarian-U.S. seminar Agromarket United States started in Plovdiv today. It is attended by experts of the U.S. Department of Agriculture and renowned Bulgarian foods industry experts.

For the first time Bulgaria and Romania launch exchange of pilots from Air-Force schools, under a cooperation programme among the Defence Ministries of the Balkan countries. Under the same programme, the Bulgarian Higher Air-Force School welcomed pilots from Greece and Turkey.

A one-tier management scheme for joint-stock companies owned by the governmental Power Engineering Committee takes force today. The Council of Ministers voted for this change back in May. The next stage of the reform in coal mining includes the setting up of a holding company by all the industry's commercial partnerships.

The First East International Bank announced on May 31 it accumulated the necessary capital to hold a full license, under the requirements of the central Bulgarian National Bank. [passage omitted]

At a regular meeting today, the Union of Democratic Forces (SDS) discussed a report on electoral systems. Neither the SDS nor the Bulgarian Socialist Party (BSP) have yet taken a formal stance on the electoral system issue. According to Krasimir Premyanov, member of the BSP Supreme leadership, most socialist leaders advocate a mixed system. According to the leader of the extraparliamentary Green Party Aleksandur Karakachanov, a majority system would lead to the BSP polling 90 percent of votes. At a news conference today the Green Party spoke for proportional representation. A majority system has recently been suggested by Georgi Markov MP, who recently left the SDS faction. Mr. Markov proposed to hold a referendum on the electoral system.

A committee for the restoration of the People's Party of Bulgaria (which existed before the communist takeover in 1994) was set up in Ruse on the Danube. [passage omitted]

An unknown quantity of petro-products leaked into the River Yantra, following neglect of duty by employees of a warehouse in Veliko Turnovo, central Bulgaria. Residents tipped the authorities but no measures were taken, as experts believe the river will be cleaned up in a natural way.

BTA Reports Statistics on Children

AU0206055493 Sofia BTA in English 1551 GMT 1 Jun 93

["The Sad Side of June 1, International Day of the Child"—BTA headline]

[Text] Sofia, June 1 (BTA)—Contests, festivals and shows were only part of the numerous initiatives dedicated to the International Day of the Child celebrated throughout Bulgaria today.

There are about a million and a half children in Bulgaria. But for many of them the remaining days of the year will not have much to offer. Two-thirds of the Bulgarian children do not get the necessary quantity, variety and quality of food and about 10 percent are literally living on the starvation line, according to the results of a study made by the federation of consumers. On their part physicians are warning that the physical fitness of children is deteriorating—about 30 percent of the children are suffering from overweight and obesity.

The infant mortality rate in Bulgaria is 16.9 per thousand and it has been constantly rising over the past few years. 138,000 abortions were registered in 1992 while the number of births was only 96,000. About 14,000 children are born out of wedlock every year in Bulgaria.

There are 138 children's establishments in Bulgaria. Their inhabitants number 8,425 and are aged between 3 and 18. Most of them are children of large families—2,356 or 28 percent. There are also many abandoned children—1,999 (23.7 percent). Social orphans (children whose parents are unable to support them) number 700,000 in Bulgaria.

This is the sad statistics of the life of children in Bulgaria. The Bulgarian legislators have still a lot to do for the children—in Bulgaria there is no law on the child and the family though this country has ratified the convention on the rights of the child.

Popularity of King Simeon Reported Increasing

AU0106130193 Sofia KONTINENT in Bulgarian 26 May 93 p 6

[Boyko Nikolov commentary: "Republicans Have Food for Thought"]

[Text] The spontaneous enthusiasm expressed by certain social circles on the occasion of King Juan Carlos's Sofia visit is an opportunity for some simple arithmetic. Apart from the Union of Democratic Forces [SDS] and the Bulgarian Socialist Party [BSP], there is hardly any other political force capable of rallying so many people for street demonstrations. In other words, someone is likely to benefit from those potential voters who seem to carry more weight than they were expected to, so far. Such a partial conclusion, however, only deflects us from the nub of the problem.

The controversy "monarchy versus republic" is not likely to replace the currently existing bipolar confrontation [meaning between the SDS and the BSP], at least not in the near future. Any attempt at getting involved with the topical events of political life could only exercise a negative effect upon the monarchist cause. Certainly, even Simeon II fully realizes that the country's difficult situation and the fact that his image, which is that of a positive symbol today, would soon be trampled upon should he ever get actively involved. As a matter of fact, even a hereditary monarch is incapable of performing economic miracles.

Nevertheless, his presence in Bulgaria is becoming increasingly tangible and this applies both to public polls on political figures in which he always occupies a respectable position and to the rare, but always well conceived and effective actions, connected with his name.

If we carefully observe such trends, we shall see that the monarchist movement is gathering momentum and should be expected to further expand in the future.

As a matter of fact, this should give republicans some food for thought.

Klaus on Polish Situation, Sudeten German Issue

LD0106190093 Prague Stanice Praha Radio Network in Czech 1630 GMT 1 Jun 93

[Regular weekly interview with Prime Minister Vaclav Klaus, conducted by Katerina Kasparova—live or recorded]

[Excerpts] [Kasparova] [passage omitted] Let us have a look at the current political crisis in Poland. Without exploiting the difficulties of the government of Prime Minister Suchocka, which is doubtless qualified, do you think that the comparison of the situation there with our republic is evidence of our stability or rather of the immaturity of the former eastern bloc as a whole?

[Klaus] I would very much like to differentiate here. I would very much like to single out the Czech Republic from the immaturity of the former eastern bloc and demonstrate that we are different and find ourselves in a different situation. The Polish crisis is the almost logical consequence of the fragmented Polish political scene and it was obvious that it had to happen. The fact that it happened now is rather a matter of chance. I think it could have happened two months earlier or four months later. [passage omitted]

I had an agreement with Prime Minister Suchocka that on 24 and 25 June, which is very soon, I would go to Poland on an official state visit. We must agree whether this is proper or not in the present circumstances, but, I would not like to interfere in Polish matters, I would like to go there.

[Kasparova] To return to the impact, to the comparison with the Czech Republic: Could this damage our image in the eyes of Europe or could we benefit from it?

[Klaus] I think you said it precisely. Both are true. The world is still throwing us in the same basket and we are not at all able to extricate ourselves. On the other hand, it is no victory for us when any other of our neighboring post-communist countries is in a difficult situation; that can be no victory for us. This is true of Poland, and it is no less true of Slovakia, and I am certainly not gloating over the ever-increasing Slovak difficulties, and I hope that every sensible Czech citizen feels the same way.

[Kasparova] We are talking about Europe. Our road to Europe, however, leads through Germany, and not only in the geographical sense. The campaign accompanying the Sudeten German Days could be expected. What also could be expected was that the Czech government would not change its stance when it said that it did not regard the Sudeten Germans as its partners for talks. You have agreed with your coalition partners that you would set up a working group to start a dialogue with the Sudeten German groups. What should this dialogue lead to?

[Klaus] I would first like to say that the timing of the Sudeten German Days and yesterday's session of the Coalition Four was circumstantial, not prepared. The level of the dialogue with Sudeten German organizations is a topic that was discussed by the Coalition Four a long time ago. If the decision had been made three days or a week before the Sudeten German Days, it would probably have evoked less interest. For the last two or three months I have been trying to think of the correct level for the talks with these organizations. To talk—definitely yes, but not at governmental level. Yesterday we more or less agreed that the talks should be held by party politicians of the second or third rank. [passage omitted]

So the announcement made yesterday that we had agreed on the level—not on names, but on the level—of people in the parties' hierarchies who should be sent to hold such a working dialogue should not be understood by anybody as an immediate response to the Sudeten German Days. It is rather an answer to letters from the Bavarian prime minister, which I have left unanswered for three months, and to the letter from German Foreign Minister Kinkel which I have had since 19 March; the level at which this dialogue should be held has not really been decided. [passage omitted]

Calls for Acceleration of EC Admission

AU0106131893 Prague CTK in English 1914 GMT 27 May 93

[Text] Bonn, May 27 (CTK)—The Czech Republic will be ready to join the European Community before the EC is ready for the Czech Republic, Czech Premier Vaclav Klaus said today at an international congress entitled Europe on the Path to a Political Union.

In two to three years the Czech Republic will be a normal European country in every respect, Klaus told the congress.

During the Cold War, he added, the EC displayed noteworthy powers of survival, but with the fall of communism Europe has opened toward the East, the European Community has de facto expanded, and therefore the EC must respond to the new situation. We need clear signals and measures, Klaus said.

He added that he did not disparage the attempts of Western politicians to integrate the post-communist countries to European structures, but saw, nevertheless, contradictory tendencies, cordons, protectionism, caution, postponement of decisions, and waiting for better weather.

Klaus praised, however, a proposal by German Chancellor Helmut Kohl to invite the premiers of countries applying for EC membership to EC summits and grant these countries guest status in the European Parliament. Klaus said Kohl's proposal represented a stronger initiative than any prepared by the EC Commission.

EC Commission member Leon Brittan said the commission had worked out for the EC's June summit a minutely detailed proposal which would represent nothing less than the political and economic reunion of the satellites of the former Soviet Union with Europe.

Part of this, he said, is a strong promise to welcome these states as regular members of the European Union as soon as they meet the necessary conditions.

Receives German Economics Award

AU0106132293 Prague CTK in English 2037 GMT 27 Mar 93

[Text] Bonn, May 27 (CTK)—Czech Premier Vaclav Klaus today received the Ludwig Erhard Prize for Economics Writing.

The prize is named after its German founder, economic minister under Chancellor Konrad Adenauer and father of West Germany's so-called economic miracle of the 1950's. Erhard established the prize to honor those who have contributed to the development of social market economies.

In his acceptance speech, Klaus said that if he is today creating a market economy without the adjective social, it is not to take issue with Erhard's ideas, but with today's interpretations and pseudo-interpretations in which social implies economic direction, protectionism and interventionism.

Lux Supports Protection for Private Agriculture

AU0106132493 Prague CTK in English 1638 GMT 28 May 93

[Text] Brno, South Moravia, May 28 (CTK)—A great number of agricultural entrepreneurs stand on the verge of a bankruptcy situation, according to Czech Agriculture Minister Josef Lux, and therefore it could be very useful to protect private businessmen in the agricultural sphere until the end of 1994.

Speaking at the Vysoka Skola Zemedelska (agricultural university) in Brno, Lux also noted that agricultural enterprises farming on the land are protected between April 1 and September 30, 1993.

Changes in the structure of agricultural primary production have significantly overtaken changes in the structure of industry, Lux said. The number of agricultural workers has decreased from 600,000 in 1989 to half of that now, and a further drop of 50,000 is still expected. His ministry is initiating regional programmes to relieve social tension, he said.

The Agriculture Ministry would also like to gradually reduce subsidies and aim them at supporting investment activities, with a substantial part of these resources aimed at guaranteeing credits and offering funds to cover a certain amount of interest.

An acceptable credit, according to Lux, has a term of at least eight to 10 years and at a maximum 10 percent rate. However, he said, banks in the Czech Republic do not offer such credit to farmers. The credit conditions of banks in the Czech Republic for agricultural primary production bring enterprises to the brink of bankruptcy, because the rate of profit on capital everywhere in the world, including here, reaches only five percent.

The Agricultural Commodity Exchange, which will have a branch in Prague, should begin activity in the end of June at the latest, Lux said.

Slovaks Reply to Note on Meciar's Remarks

AU0106173093 Prague CTK in English 1635 GMT 27 May 93

[Text] Prague, May 27 (CTK)—Slovak Premier Vladimir Meciar did not want by any means to challenge smooth contracted supplies of oil to the Czech Republic going through the Slovak territory, says a Slovak reply to a Czech note of May 19, received by the Czech Foreign Ministry today.

The Czech Republic has accepted the explanation of Meciar's statement in the German weekly DER SPIEGEL of May 17 and considers the whole matter closed, Charge d'Affaires of the Slovak Embassy in Prague Jozef Stank told CTK today. His announcement was confirmed by the Czech Foreign Ministry.

Meciar was quoted by DER SPIEGEL as saying that the Czechs should not forget that all the energy they receive comes through Slovakia. If there were a break up in the supply of oil, they wouldn't last more than ten days.

In the note of May 19, the Czech Foreign Ministry demanded an explanation of Meciar's statement.

Stank conveyed the Slovak reply to Alexander Vondra, Czech first deputy foreign minister, with whom he met at his own request at Prague-Kolodeje this afternoon.

Stank told CTK that quoting statements by leading Slovak and Czech politicians out of context resulted in disinformation and deteriorated relations between the two countries. This is at variance with the Slovak Republic's interests, he added.

Army To Have Three Main Components

LD0106162793 Prague CTK in English 1604 GMT 1 Jun 93

[Text] Prague, June 1 (CTK)—By the end of 1995, the Czech Army ground forces will have gone through a restructuring which will divide them into an Expedition Army Force, a Fast Deployment Force and a Territorial Defence Force, Karel Holub, commander-in-chief of the Czech ground forces' central headquarters, told journalists today.

When the restructuring is complete, the Army will be 28,000 strong and will be brigade-based, Holub said.

The ground forces will be under the command of a staff headed by a ground forces inspector. There will be two operational commands, each in control of one Army force.

The Rapid Deployment Force (RDF), made up of one brigade of 3,000 men, will be equipped with armoured personnel carriers and 152mm Dana howitzers. It will probably be professional and directly responsible to the ground forces inspector, Holub said.

The Defence Force will consist of 15 brigades, with each brigade operated in peacetime by only a skeleton garrison.

The Expeditionary Force will have two motorised brigades, five mechanised brigades, artillery and missile-launching regiments, two engineer battalions, one chemical battalion and one communications battalion. In peacetime, they will be manned by 20-50 per cent of their combat-ready garrisons. There will be other specialised and mixed-objective regiments.

The blueprint for the reorganisation, which will begin this year, forsees that the two Army commands will be set up by the end of March and the RDF by the end of June 1994, with deadlines for the formation of mechanised and other brigades spread out until the end of 1995, Holub explained.

On January 1, 1993, 106,477 individuals served in the Army, but today only 97,869 serve, the Army sources said.

Decline Reported in Trade Deficit With Slovakia

AU3005201193 Prague TELEGRAF in Czech 27 May 93 p 3

[CTK report: "Czech Debt to Slovakia Declines"]

[Text] Prague—In the days to come, finance ministers of the Czech and Slovak Republics will confirm the transfer of the Czech surplus in trade with Slovakia from the old package (prior to 8 February), to the new one. The Czech Republic deficit after the currency separation will be cut by 1,346 billion korunas, which is 29 million ECU.

As Ondrej Kvacek of the Czech National Bank said, the Czech Republic deficit was 2.926 billion korunas in the new package yesterday. When deficits in both packages are subtracted, the Czech debt to Slovakia would be 972,490 million korunas. The development in the clearing accounts, however, does not precisely reflect the situation in mutual trade, since this trade is being realized in other forms, too, Kvacek pointed out. Another settling of accounts is expected to take place in three months.

Statistical Office Reports April Unemployment

AU0106165793 Prague TELEGRAF in Czech 29 May 93 p 6

[Unattributed report based on Czech Statistical Office release: "Unemployment of 2.71 percent"]

[Text] Prague—There were 142,639 unemployed in the Czech Republic at the end of April. That is 2.71 percent of those able to work. At the end of March, the number of unemployed was 8,900 higher. These figures come from the information released by the Czech Statistical Office.

The number of vacancies declined by 1,100 compared with March to reach 71,949. Of this, 53,517 were labor jobs. The number of people collecting unemployment benefit declined by 4,400 to 66,800 compared with March.

All districts except five in the Czech Republic recorded a decline in the number of unemployed in April. Only in Decin, Prostejov, Vyskov, Karvina, and Ostrava did the labor offices register a modest increase in unemployment.

In April the highest level of unemployment was in the districts of Znojmo (6.2 percent), Louny, Vsetin, and Bruntal (6.1 percent each). Unemployment below 1 percent was registered in Prague, and in the districts of Prague-East, Cheb, Karlovy Vary, and Semily.

This evidence shows that unemployment in the Czech Republic is continuing to decline and a turnabout will come only after bankruptcies occur, and when approximately 170,000 university graduates start looking for jobs later this year.

There were 2,264 people unemployed in Prague at the end of April (an unemployment level of 0.3 percent), in central Bohemia 14,548 (2.8), in southern Bohemia 7,331 (2.1), in western Bohemia (9,179 (2.1), in northern Bohemia 19,373 (3.2), in eastern Bohemia 13,732 (2.2), in southern Moravia 31,666 (3.1), and in northern Moravia 44,546 (4.5).

Meciar Discusses Help for Small Businesses

AU2805205593 Bratislava PRAVDA in Slovak 27 May 93 p 2

[TA SR: "Help for Small Businesses"]

[Text] Bratislava—Yesterday, Vladimir Meciar, chairman of the Movement for a Democratic Slovakia [and prime minister], travelled to the Povazska Bystrica region to attended a "year-later" meeting with the voters and supporters of the movement. He was accompanied by the Slovak minister of culture, Dusan Slobodnik, the National Council of the Slovak Republic deputies, and the former CSFR Federal Assembly deputies. The prime minister met with the citizens of Puchov, Dubnica nad Vahom, and Povazska Bystrica.

He considers the slow down in the circulation of money and inadequate financial discipline the greatest threats. He pointed out that the Slovak Republic will have no chance of integration into Western Europe without guaranteeing the political stability of the state, its pluralist democracy, and a clear orientation towards the market economy.

Meciar pleased the citizens of the Povazska Bystrica region with the news that the government has adopted legal measures, according to which, those who launched business operations this year, are not to pay income tax for the next three years. The government also adopted a batch of measures to help small and medium-sized businesses.

The citizens were also interested in an explanation from Vladimir Meciar why, so far, no coalition government has been formed. The Slovak prime minister explained that the Party of the Democratic Left replied on the negative to his direct offer, and some conditions and personnel links remain to be discussed with the Slovak National Party.

Other questions dealt with pension indexation and social security.

Comments on Border Issue

AU0106161693 Bratislava REPUBLIKA in Slovak 28 May 93 p 2

["pg"-signed report: "We Must Revive the Financial Market; Second Day of the Prime Minister's Visit to the Vah Valley"]

[Excerpts] Zilina—Slovak Prime Minister Vladimir Meciar's meeting yesterday with the mayor of Zilina and representatives of enterprises and the state administration demonstrated the essential need to deal with the problem of improving the flow of finance.

The prime minister said that enterprises were short of 60 to 80 billion korunas for payments. Farmers owe 30 billion korunas. It thus happens that goods are flowing but money is not. The state issued 6.3 billion korunas but the banks used them to improve their own situation and the companies for which the money was intended did not see even one koruna. The banks' services are slowing down the circulation of money, which again causes growing demand for their services. "The banks are stifling the economic life of Slovakia," Vladimir Meciar said.

Decentralization through the devolution of some ministerial activities to lower levels of state administration and a new territorial arrangement of Slovakia are also badly needed. Current scenarios provide for the establishment of 7 to 17 territorial entities. The subsequent formation of regional governments and parliaments is a strong idea. [passage omitted]

At a rally with the citizens of Bytca, Prime Minister Meciar confirmed that the Czech Republic and Germany were pressing for the creation of a firm [pevna] border between the Slovak Republic and the Czech Republic. While dividing the federation, the two sides had signed eight agreements on the border regime that guaranteed free movement across the border. In conjunction with the extraordinary influx of emigres, the FRG and the Czech Republic are urging the creation of a firm border with Slovakia. In practice this would mean for us to erect barriers for about 130,000 refugees annually. We cannot afford this, in view of our economic situation. The Slovak Republic has now exceptionally [mimoriadne] reinforced its borders with Ukraine and Hungary to prevent illegal border crossings.

Says Broad Coalition 'Unrealistic'

AU0106182293 Bratislava REPUBLIKA in Slovak 29 May 93 p 2

[TA SR report: "A Broad Coalition Is Unrealistic"]

[Text] Bratislava—Slovak Prime Minister Vladimir Meciar has no reason to overestimate the results of his recent visit to the United States. He made this statement yesterday on a Slovak Radio program. During his many meetings with leading U.S. political and economic representatives, numerous agreements were drafted. These agreements could be signed in three or four months' time. In response to a question on why Slovakia does not orient itself toward some of the successful Asian countries, Prime Minister Meciar said that he does not reject these countries' know-how. He emphasized, however, that the Slovak Government will have to find a way out of the current difficult economic situation. In connection with a possible government reshuffle, he said that on Monday [24 May]—in the presence of President Michal Kovac and National Council of the Slovak Republic Chairman Ivan Gasparovic—he had held meetings with the two ministers whose departments are subjected to the most criticism. According to Vladimir Meciar, it would be possible to form a HZDS-Slovak National

Party coalition. Meciar said that a broad coalition government is unrealistic at the moment. In his opinion, the government can only function well if the situation in parliament is stabilized.

Officials Explain Objections to Visas

AU3005141593 Bratislava NARODNA OBRODA in Slovak 27 May 93 pp 1, 13

["rr, sch"-signed report: "Will the Slovak Republic Become a Waiting Room for Refugees?"]

[Excerpt] Bratislava— [passage omitted] It is no secret that the Czech and Slovak Republics have not come to any agreement on introducing visa requirements for a few designated countries. We have therefore asked for the views of the most relevant Slovak authorities—the Ministry of Foreign Affairs and the Ministry of Interior.

Jozef Moravcik, minister of foreign affairs of the Slovak Republic:

"The Slovak side follows this issue very closely. In adopting some steps in the area of introducing the visa process for third country nationals, we consult on our course of action with the Czech side, in accordance with bilateral agreements with the Czech Republic. Several rounds of talks have been held thus far. We have not yet reached a final agreement on the two republics' joint course of action, however. The Slovak Republic Government proceeds from the conviction that, first and foremost, one should eliminate the causes leading to the illegal emigration of citizens from the affected countries. Should any measures be adopted, they should be conceived so as not to limit the free movement of people, which we regard as one of the most positive results of the changes in central and eastern Europe. We therefore believe that these matters ought to be tackled on a multilateral basis."

Peter Kuchar, spokesman for the Ministry of Interior of the Slovak Republic:

"The position of the Slovak Republic is based on the conviction that it is politically unsustainable for Europe to start being divided by an iron curtain again—this time not according to political principle, but according to the contents of one's wallet. If a common area is to exist on this continent, if political and economic cooperation is to develop, and if a stable system of relations is to be built here, the continent must not be parceled out into several parts. The problem of illegal migration cannot be solved by the target countries and the transit countries such as Slovakia without the countries from which the emigres come. No one will profit from isolation in any way. The only possibility is a coordinated course of action by all parties concerned, preferably within the CSCE framework. This institution is able to involve in the solution countries that are not directly affected by the problem. The most zealous advocate of a division of Europe is Czech Interior Minister Ruml. The intensity of his endeavor to close the border with Slovakia has reached such dimensions that the Czech Government had to delegate this issue to the minister of foreign affairs, who, being a professional, is more diplomatic in his public statements. Our Western neighbors have not given up, however. The [planned] introduction of visas for the citizens of some countries of the former Yugoslavia and now Romania is a revival of the dream about the Czech Republic's lightning penetration of the "West." At the same time, they could not care less about what others will have to pay for it. Their main concern is to have two kinds of Europe—eastern and western—with the Czechs belonging to the more exclusive club."

Economy Minister on Results of Visit to Iran

LD0106223393 Bratislava STV 1 Television Network in Slovak 1730 GMT 1 Jun 93

[Text] Introducing the independent Slovak Republic in Iran and increasing the volume of trade between the two states was the main aim of a three-day visit by Jaroslav Kubecka, minister of economy of the Slovak Republic, to Iran. He made this statement in an interview for the Slovak Republic Press Agency after his return to Slovakia.

During talks with ministers of the Iranian Government, the Slovak delegation submitted proposals on developing mutual cooperation. The delegation showed interest in renewing supplies of machine tools to Iran and in participating in the construction of Iran-Europe gas and oil pipelines. Cooperation was proposed in the construction of cement works and rubber factories and supplies of textile and electronic products were offered.

Antall Interviewed on Current Issues

LD3105212193 Budapest MTV Television Network in Hungarian 1800 GMT 31 May 93

[Interview with Prime Minister Jozsef Antall by reporters Peter Feledy and Miklos Gyorffy; in Budapest on 31 May—live or recorded]

[Excerpts] [Reporter] Esteemed viewers! When we agreed a few weeks ago that Prime Minister Antall would regularly talk to you and to us, we did not think that the first meeting—and I do not know whether the word is appropriate, and this is actually the first question, that is—this meeting is now taking place during dramatic days or period in the domestic political life of Hungary. Are these days dramatic, or of crucial importance in the life of the new Hungarian democracy?

[Antall] I would not like to go into details, but the word describing it as dramatic is correct. Yet, it is not tragic. Sometimes the two words are mixed up in the Hungarian language.

[Reporter] Hungarian television viewers could get information on the events of today's presidium meeting, which is of great importance, from the Newsreel about 25 minutes ago. What do you think is worth emphasizing, or what has not been said although it is important?

[Antall] I have just come from there. I was there between 1500 and 1800. I chaired the meeting of the presidium. The presidium consists of 21 members, 15 of whom were present. Lajos Fur, who resigned from the post of executive chairman, did not attend the meeting, of course keeping his membership in the presidium and his post as defense minister, but it has no political reason whatsoever, because contrary to public belief, his resignation did not come as a surprise. He consulted me as well as Sandor Lezsak before the announcement and the previous meeting. Consequently, when this meeting took place with the Csurka group and the Debreczeni group, we had already read the letter and had been informed of these things. [passage omitted]

[Reporter] Mr. Prime Minister, Lajos Fur's absence was really justifiable, but there were some who had no justification for their absence, so what has after all become of these conciliatory talks relating to this divorce suit, as it was called over the course of the week?

[Antall] Well, there were some people who had previously announced that they would not attend it. I do not exactly know whether Zsolt Zetenyi was abroad; Gyula Fekete, Istvan Balazs, Istvan Csurka, or Gyula Zacsek were absent and they did not take part in the previous coordination talk, although they had earlier agreed on doing so. They already said this, this would have been this morning, so this affair has been closed with this.

The presidium of the Hungarian Democratic Forum [HDF] has today discussed what it is entitled to do within the scope of authority of the presidium. As a certain timetable is concerned here, the next event on this pre-scheduled timetable is the meeting of the parliamentary faction on Tuesday, if necessary, a special intermediary presidium or executive meeting can be held, and after this the new extended national board which was set up at the sixth national meeting of the HDF will be convened at the weekend.

[Reporter] Are the signs pointing toward reconciliation or break?

[Antall] It is really difficult to speak of this in advance. Nevertheless, I can expound my standpoint, and my standpoint obviously coincides with that of the presidium. All I can say is that we have agreed that the post of executive chairman will finally be decided after the timetable is completed [as heard], that is, after the meetings of the faction and the national board. We have agreed that the executive presidium which consists of the current deputy chairmen, and the executive chairman was added to this, so the six deputy chairmen will remain, and the first chairman in charge of the executive tasks is Sandor Lezsak [sentence as heard].

[Reporter] Mr. Prime Minister, you said earlier: All I can say. Consequently, you cannot speak of everything. [passage omitted]

[Antall] Every rumor to the contrary, I do not insist on power. When I was elected HDF chairman I announced that I could lead the HDF only one way, I could lead the government only one way, if I enjoy the confidence, the support of the majority and I am not willing to enter into any kind of unprincipled policy, bargaining.

The HDF, as the main source of political power of the government, must be able to carry this through successfully. Should the membership not recognize this, and should my fellow deputies not recognize this—I do not believe that either would fail to—then the consequences of this must be drawn because one cannot launch a battle charge with a brigade of blind men.

[Reporter] In other words, what we are talking about is not the two alternatives spoken about by my colleague, i.e. either a government crisis or bargaining with Istvan Csurka, right?

[Antall] I do not see the possibility of bargaining, because there is nothing to bargain about. We went a very long way in the spirit of unity. [passage omitted] However, there are political issues which cannot be reconciled. Istvan Csurka and his paper overstepped the limit. [passage omitted]

[Reporter] Am I interpreting correctly what you mean when I say that you do not want to be the prime minister of a minority government, were it to occur?

[Antall] No. Not as head of a minority government. Either I can create a stable backing for the government or I must find a way to bridge this. One thing is certain: I will never be a Mihaly Karolyi handing over power to a

Bela Kun, and I will never be in a position in which I would have to hand over power to a Szalasi. [passage omitted]

[Reporter] The most fundamental point of the stability of the government coalition is the internal order and stability of the HDF, the largest government party. In your assessment is there no danger to the coalition from the two other sides?

[Antall] First, the coalition partners cannot be expected to exhibit stable and unequivocally supportive behavior if the largest government party cannot put its own house in order. [passage omitted]

The Smallholders faction have voted very correctly with the government in critical situations, even if they have their special Smallholders considerations; and I think that such cooperation is possible not only because they fear an early election, as they have not the appropriate backing, but also because through their own party viewpoints and their outlook on the affairs of the country they see clearly, obviously, what an early election would mean, a rejected supplementary budget—never mind a real budget—which would have unforeseeable consequences if we fail to agree with the IMF. In other words, they decide from these points of view.

The Christian Democratic People's Party, obviously assessing the HDF inner conflicts over the past period and endeavoring to formulate its own profile before the elections, has been seeking ways and means where they can show themselves in a more emphatic manner. The issue of privatization offered a good means for this and in certain aspects—partly in a joint voice with certain HDF political groups—such noises too were made to a small degree which may be accepted as natural but impermissible. It is impermissible when a government coalition party announces that it forms an internal opposition. [passage omitted]

We have given a clear reply to the Christian democratic People's Party that they should form a group regarding privatization and they should examine every question they want. The government party has no interest—and the government has the least interest—in making political propaganda out of privatization. [passage omitted]

[Reporter] Is there such a thing as program maintenance?

[Antall] I would hasten to add that the chairmen of the Smallholders' Party and the Christian Democratic People's Party are still sitting in the government today, and Ferenc Nagy, chairman of the Smallholders, was sitting there until he was in that post. The Christian Democratic People's Party's demand at the time was that they should not hold any economic ministry.

[Reporter] This was granted.

[Antall] This was an expressed request of theirs, for they did not want to undertake this. [passage omitted]

[Reporter] Mr. Prime Minister, I am watching the clock and time is flying. Am I allowed to ask ...

[Antall, interrupting] I would like to add that they were sitting where they wanted and they left when they had no more to say or they could not put anything on the table. Thus, the forming of the government program was based on the cooperation of the three parties. We adopted everything which it was possible to fit in. [passage omitted]

[Reporter] Mr. Prime Minister, we have only six minutes left. There is still one very important internal political question left in connection with the social insurance elections. Many people consider the results of the social insurance self-government elections as some kind of prototype of next year's parliamentary elections.

[Antall] I consider this an enormous mistake. First of all, as regards the trade union elections, the trade unions are not identical with the parties. Consequently, I consider the results of the various trade unions better than expected, including the workers councils also. The other enormous lie is that the government did not want this election. [passage omitted]

[Reporter] What is the political significance and weight of this election result?

[Antall] The significance of the elections, naturally, is that those directly concerned went to the ballot boxes in great numbers, the pensioners. And representatives of the old trade unions, very cleverly, introduced faces who were obviously not associated with parties. [passage omitted] The trade union elections indicate that when it comes to national elections, and the stake indeed will be who is to run the country in the future... [pauses], I believe that there are others, but that there are better or more stable ones, I do not believe, so this is what the country is going to decide about [sentence as heard].

[Reporter] Mr. Prime Minister, do you think that the elections can be moved up in Hungary ?

[Antall] Naturally, it can happen, within certain constitutional legal circumstances. [passage omitted] Psychologically it is conceivable that certain opposition parties consider that this would be advantageous for them. I doubt that. To my mind, it would take Hungarian political life onto a rather bad track, and we would lose the international prestige which, beside internal stability, is extremely important.

[Reporter] Has this not changed recently, Prime Minister? How do the problems around the HDF and the coalition influence the image, the things we read in the papers ?

[Antall] It depends what sort of paper you read. [passage omitted] It is a lot more important for me what sort of feedback we get from western government circles.

[Reporter] And what sort do we get?

[Antall] Hungary continues to be considered as the most stable country. At the moment, even the Czech Republic is not in the best situation, not even economically. [passage omitted] I can responsibly say that there is no country in the region which would come near us. Opinions that contradict this are lies. [passage omitted]

[Reporter] Mr. Prime Minister, the fact that a series of demonstrations is being prepared in connection with the law on civil servants and its application indicates that there is no great satisfaction with the government in certain circles.

[Antall] I do not think at all that people are satisfied with the government. Frankly, I would be amazed if public opinion would be satisfied with the government. First of all, it is not customary to be satisfied with governments anywhere. Just look at the popularity of Clinton in America, but I do not wish to set out to you what governing is all about. [passage omitted] Dissatisfaction is natural in such a grave transition, and I would just like to thank the Hungarian people, all those pensioners, large families and everybody, who with such faith, amid bitterness, for Hungarians are pessimistic, lived through this transition. [passage omitted] I owe thanks to the people of Hungary.

As regards the specific matter in connection with the realization of the law on civil servants, it is possible that the formulation of the government was not fortunate, it is possible that the finance minister's expose was not clear in this question, which took place following the talks with the IMF, which was a successful negotiation, but which determined the framework of the budget deficit. Here I could mention that the present finance minister managed to bargain for a deficit of 2 percent higher than the former [as heard], which is extremely important for the budget and the national economy. [passage omitted]

[Reporter] How could the matter of the civil servants be remedied?

[Antall] The law on civil servants has to be interpreted clearly. It is not that civil servants cannot be given a wage rise. The state guarantees that the self-governments and other organizations, which will implement a wage increase for civil servants, will be given the money earmarked for this purpose. [passage omitted] The Hungarian state guarantees that it will create the money resources in some form, either in credit or in other forms, and they are going to get this back. The opposition cannot say anything else either. They can produce big words and slogans, but my opinion is unchanged that they could not do anything else either. So I can say that it is totally unnecessary to organize strikes and demonstrations, negotiations have to be set up on how to go about this, and this is how the government and the Finance Ministry want to go about this, but we have to keep the agreement with the IMF. [passage omitted]

Thus, early elections and the prevention of a supplementary budget are only in the interest of a political force which wants to discredit the country both from economic and moral point of view. [passage omitted]

[Reporter] Mr. Prime Minister, we have to interrupt the conversation now, but we hope to continue it in a month's time.

[Antall] Thank you, I hope that in the meantime, the president of the republic will also be on the program. [passage omitted]

Parliament Passes Nationality Law

LD0106195593 Budapest MTI in English 1921 GMT 1 Jun 93

[Text] Budapest, June 1 (MTI)—With 235 votes for, none against, and two abstentions, the Hungarian parliament passed a nationality law on Tuesday, basing Hungarian citizenship on descent.

Children of Hungarian citizens and of foreign citizens married to Hungarians are now Hungarian citizens. Children of stateless people are now Hungarian citizens if they are born in Hungary, as are children of unknown parents found in Hungary.

Non-Hungarian citizens may ask for naturalization after eight years of continuous residence in Hungary. Applicants also have to pass a constitutional examination in Hungarian.

Preferential treatment in naturalization is given to foreigners married to Hungarians for at least three years, widows, and widowers of Hungarian citizens, and people given refugee status by Hungarian authorities. Those declaring themselves to be Hungarian and living in Hungary for at least a year may also ask for preferential treatment in naturalization.

Those who were once Hungarian citizens and their descendants may be renaturalized. This rule concerns mainly those who lived on Hungarian territories before World War II, and their descendants.

Hungarians living abroad with no debts to the state and no current criminal proceedings against them may give up citizenship.

Citizenship may also be withdrawn if someone obtained it by misleading the authorities.

Under the law, those deprived of Hungarian citizenship earlier, can now have it restored by signing a statement.

Parliamentary Election Date Set for 19 Sep

WS0206100993 Warsaw TVP Television Second Program Network in Polish 0900 GMT 2 Jun 93

[From the "Panorama" newscast]

[Text] Lech Walesa, president of the Republic of Poland, has ordered that the elections for the Sejm and the Senate be held on Sunday, 19 September, according to Presidential Spokesman Andrzej Drzycimski.

The conference in the Belvedere garden was attended by almost 100 Polish and foreign journalists. Asked about the reasons for the dissolution of the parliament, the president said that up until the last minute he had counted on the survival of the Suchocka government. However, he believed that the composition of the government would have been changed. The Sejm leadership took no interest in this, which was the final straw; in this situation, once again the people themselves will make the decision.

Walesa Signs New Electoral Law

LD0106163293 Warsaw PAP in English 1602 GMT 1 Jun 93

[Text] Warsaw, June 1—President Lech Walesa on Tuesday signed the new electoral law adopted by the Sejm (lower house) on May 28, 1993, the presidential press office has reported.

The new electoral law is expected to reduce to about 10 the number of parties represented in the future parliament owing to the introduction of thresholds for winning mandates which favours stronger groupings.

The president's signature under the electoral law means a formal possibility of starting the election campaign. If, in accordance with the president's announcement, the parliamentary elections are called on September 12, the election campaign should end at midnight on September 10.

The elections to the Sejm will be held simultaneously with the elections to the Senate (upper house). Under the still binding Senate electoral law 100 senators will be chosen according to the majority principle. 460 Sejm deputies will be elected according to the rule of proportional representation adopted in the new electoral law.

Candidates for Sejm deputies can be put forward by political and social organizations as well as groups of electors forming electoral committees. A district list of candidates can be registered only after 3,000 signatures are collected to support it in a given constituency. This requirement does not cover groupings having a 15-strong representation in the Sejm at the beginning of its previous term of office. 391 Sejm deputies will be elected from among candidates registered on the district electoral lists while 69 from among candidates registered on the national lists.

A party to be represented in the Sejm must win 5 per cent of votes while a coalition of parties—8 per cent of votes. These terms do not apply to candidates of national minorities.

Under the new electoral law signed by the president candidates for Sejm deputies are subject to vetting. As far as candidates for senators are concerned the problem of vetting will have to be decided by the State Electoral Committee or the Constitutional Tribunal.

The last document printed in the Sejm at the order of the speaker of the now dissolved chamber Wieslaw Chrzanowski is the presidential veto concerning two pension laws. It is estimated that during the Sejm's 18-month term the number of official documents printed did not exceed 1,000.

Walesa Refuses To Sign Pension Law

LD3105181293 Warsaw Radio Warszawa Network in Polish 1700 GMT 31 May 93

[Text] In view of the president's decision not to sign the amendments to the pension law restoring industrial supplements and rising the lowest benefits, the Social Democracy of the Polish Republic [SDRP], the National Trade Union Accord [OPZZ], the Movement of the Working People, as well as the Party of Old Age and Disability Pensioners—the Hope—have all expressed their disapproval.

The SDRP statement states that the president's decision is another move of the ruling camp infringing upon the laws which were adopted earlier. According to the SDRP, this decision deprives all those who worked all their working lives in especially difficult conditions of their due rights. On the other hand, in its statement the OPZZ states that the president, who on many occasions declared his understanding of the difficult situation of the retired workers, decided to support the government views on ways to salvage the budget at the expense of old and disabled people.

Defense Minister on 'Eastern NATO' Concept

WS0106113093 Warsaw TVP Television First Program Network in Polish 1335 GMT 23 May 93

[Interview with Defense Minister Janusz Onyszkiewicz by unidentified reporters on the "100 Questions to..." program—live]

[Excerpts] [Reporter] [passage omitted] Just a few hours ago you returned from Berlin, where you took part in the session of the North Atlantic Assembly. You arrived there, in turn, directly from Rome, where the session of the West European Union was held. Foreign Minister Skubiszewski was there with you. What news can you tell us? [passage omitted]

[Onyszkiewicz] Perhaps I will start by saying a few words about the two institutions. The West European Union is a defense alliance of the West European countries which

is supposed to shortly become a defense alliance of the European Communities, to which we would like to belong. In the future it will also be the European pillar of NATO. Our relations with this union were rather marginal for a long time, because this organization was in a state of lethargy. It was also because its relationship with NATO, which is for us the main security institution in Europe, was not clear; it seemed that it might be a competing institution. Now the situation is clearer; this union is becoming the European pillar of NATO; hence our cooperation with this union. The cooperation is also encouraged by the other side. We are the members of an important consulting forum where matters of European security are discussed. This was also discussed during the meeting in Rome. In general, I could say that every meeting, every discussion of this kind draws us closer not only to this union, where we will be admitted anyway when we become member of the EC; it also draws us closer to creating a uniform security area in Europe.

After the conference in Rome, I went to the North Atlantic Assembly. This, in turn, is the parliamentary representation of the NATO states, where the Polish delegation as well as many others have the status of an associate member. This also affords us the opportunity to exchange ideas, to present certain issues. I think that this yields results; it is with great satisfaction that I find that certain things that demonstrated our way of thinking, our point of view, are beginning to be more broadly accepted and reflected both in politicians' statements and in documents which we had a chance to look at.

[Reporter] Minister, the situation in Cambodia is becoming tense. The Khmer Rouge are shooting. It is no secret that the fact that our troops have been dispatched there as part of the UN forces was not the best possible decision. Are we going to withdraw? I am asking this question not without reason. The Japanese are now considering such a step, because they have been attacked. We have already been attacked twice.

[Onyszkiewicz] This is a very difficult issue. No one has ever withdrawn from a peace operation. Various countries are considering this. I hope that the UN forces will not stay long in Cambodia; then our boys will also be able to withdrawn from there. We would really like that, because the situation is indeed becoming tense there. I also hope that perhaps it will change after the election.

[Reporter] What can you tell us about the situation of the Polish soldiers in Yugoslavia? Do you think it is right that you are not sending any more Polish soldiers to the UN forces there?

[Onyszkiewicz] We are doing this for a couple of reasons. We do not want to send more soldiers to peace missions. Two of the reasons are purely practical and technical. First, last year our involvement in the peace missions was a lot bigger than in the previous year. [passage omitted] Now we are facing the problem of having too few officers who can speak sufficient English. Another problem lies in finances; namely, the UN owes us a lot of money. We are entitled to the money, because we have invested it in the operations; also we must pay wages to the soldiers. Finally, the third problem consists of the fact that what is in greatest demand now is not the participation in peace operations, but in operations that enforce peace. The question we must face is the following: Would Polish public opinion agree that our participation in such an operation might entail losses? [passage omitted]

[Reporter] Minister, tomorrow [24 May] the visit of President Walesa to Ukraine will begin. The president and the Office of National Security have generated the concept of an eastern NATO. I know that the Ukrainians are very interested in it, and would like to implement it. Do you think that this is not at odds with our efforts to join NATO? I know that such talks have been held by envoys of the Ukrainian president.

[Onyszkiewicz] As far as this concept of an eastern NATO is concerned, it is proof of a certain need to discuss security matters of Central and Eastern Europe. I think that this need is understandable. It must be recognized by discussing these issues. As for establishing a structure or military bloc encompassing the states lying between NATO and Russia, I must concede that such a concept is not present in the principles of our security policy, which was published toward the end of last year and which was signed by the president of the Polish Republic. Therefore, I believe that we can hold talks with the Ukrainians; the discussion must, however, be confined to the principles of our security policy.

[Reporter] Minister, do you really not think that we should seek some program that would be an alternative to NATO? The situation seems to be as follows: Some say they will admit us to the military structures only after we have been admitted to the economic structures; the economic authorities, in turn, say they will admit us to the EC, however, only when we are members of NATO. I think, therefore, that it is a bit like a catch-22 situation.

[Onyszkiewicz] To tell the truth, I do not know anything about the second condition that you have mentioned; namely, that allegedly our admission to the European Communities is contingent on prior entry into NATO. If it were so, we would be in a better situation, perhaps, because I think that we have a shorter way to go toward joining NATO than entering the European Communities.

[Reporter] But minister, there is one thing I believe we must explain to the viewers. Namely, some of our politicians are of the opinion that this NATO that we are heading for is going to reach only as far as the Bug [river on the eastern Polish border]. They believe that a new iron or other type of curtain will be created. However, this is not the case. [passage omitted] Are you able to explain to other politicians that the West does not intend to form a new Iron Curtain on the Bug River?

[Onyszkiewicz] Certainly, it would be very bad if we witnessed another division of Europe, this time on the Bug River. I think, however, that the question of how far NATO should extend is equal to the question of how far east the EC will extend. Our reasoning is as follows: If we want to enter the EC, then we must also join the West European Union. [passage omitted]

[Reporter] In one of the radio news bulletins, I heard something about the states that are reluctant to see the Visegrad Group being admitted to NATO. Russia was listed as one of the states. Do you not rule out the possibility that Russia may become a barrier preventing Poland and other countries from joining NATO? Also, how do you think NATO will respond? Whose interests will prevail: ours or those of the Russians?

[Onyszkiewicz] I think that this question is also related to our joining the EC. It is not only our desire, but also it has been confirmed by various international documents. It has been confirmed by our Western partners. Therefore, the issue of our entering the EC is a foregone conclusion. So is the problem of our joining both the West European Union and NATO. This is a foregone conclusion. The question is not if, but when and how, and what will be first.

[Reporter] You say that it is a foregone conclusion. However, for some time now the Ministry of National Defense has been trying to obtain security guarantees for Poland. However, Poland has not as yet obtained them.

[Onyszkiewicz] No, we are not applying for any security guarantees. We must ask ourselves the following question: What is it that we are afraid of? I believe that we must realize here that now no one is going to conquer Poland; no one is going to turn Poland into a satellite state. No considerable political force, and no various small... [pauses] therefore, what can really be dangerous for us are the effects of the destabilization in the east. However, then it would not be a military danger; it would cause waves of migration, economic troubles, perhaps also ecological threats if the system of regulating nuclear power plants broke down. Military dangers would be at the far end of this list, and even then they would be local threats. We could cope with them. If we could not do that, then it would mean that we are not a valuable partner. Therefore, we do not demand any security guarantees; we want to join the West European Union and NATO not as a partner that wants to shift his troubles on to someone else, but as a valuable partner who takes part in the process of European integration.

[Reporter] [passage omitted] Do you realize that you may go down in Polish history as the grave-digger of the Polish defense?

[Onyszkiewicz] As far as the current dangers are concerned, I think we do not need to be afraid. However, there is a problem: The resources earmarked for the defense of the state are so small that they do not allow the combat force of the army to be built up. The equipment is being used all the time, and is getting old. If this situation continues, within a few years we may have to scrap our tanks, our planes, and then the Polish Army may only have rifles left. This problem should therefore be solved by the Sejm, which passes the budget, and not by me. I may be dissatisfied that the budget is so small; however, I must respect the decision of the Sejm.

[Reporter] Minister, last year the situation was tragic. The Army did not even have money to train reservists. Has the situation improved since then? You even had quite large-scale maneuvers.

[Onyszkiewicz] This year we have a budget that is smaller than last year's. Paradoxically, however, the situation is a little better. This is because last year, despite the small budget, we managed to pay off all our debts, even those incurred in 1991. Therefore, we began this year with money that we can spend this year for things other than debts. So the situation is a bit better. However, this does not mean that the situation is really good.

[Reporter] Can you still finance certain projects, such as the purchase of a new tank, or new planes? [passage omitted]

[Onyszkiewicz] We simply are not in a position to buy more equipment from the West, or even from the Polish arms industry. However, we are taking measures to make at least our electronic equipment compatible with Western electronic devices. More specifically, I am referring now to the system that permits the identification of planes. It makes it possible to recognize them by means of electronic devices. We can determine whether any given plane belongs to us, or is an alien plane. This technology has actually already been purchased. The agreements have been signed. We are awaiting delivery. However, we cannot afford to buy new planes. One plane costs more than a dozen million dollars. The most modern ones can cost up to a few dozen million dollars. Besides, if we decided to buy new planes, then it would not be to purchase only one or two of them.

[Reporter] The Russians want to pay off their debts in this way.

[Onyszkiewicz] No, the Russians do not want to do it. However, I will not go into greater detail here.

[Reporter] Are there any possibilities of incorporating the Polish arms industry, at least part of it, into NATO production programs?

[Onyszkiewicz] There are such possibilities. We are conducting negotiations. The problem is that, for example, as far as the possibility of supplying equipment to U.S. forces stationed in Europe are concerned, this would be doable only when Poland also opens up to supplies from the United States. This does not mean that it must be a result of intergovernment agreements. We would have to agree to free competition on the market. I think that we could agree, because I am not afraid of

such competition. However, the talks are under way; this also goes for other countries.

[Reporter] The privatization of the arms industry has been announced. To what extent will the Army have influence on the scope of this privatization, on the manner in which it will be implemented? Will you only put forward your remarks during the sessions of the Council of Ministers? Or will the opinion of the Army and Army experts be really important?

[Onyszkiewicz] This opinion has already been taken into account. I do not think the Army demanded particular solutions in this area. This was natural. I must say that the arms industry will not be privatized in its entirety. The fundamental branches of this industry, such as the plants which manufacture ammunition or rockets, will remain under the control of the state. The same goes for a few other key plants. Some other important factories will be privatized; however, the state will keep a control packet of stocks.

[Reporter] They say that in the Army a clandestine association of officers has been established. Can I finally find out something about it? The association is said to support the president and yourself. It is allegedly an elite organization. Do you know anything about this organization?

[Onyszkiewicz] I must say that I do not know anything about the existence of this organization. I have seen some information on it in the press. I can only say the following: I would like to tell you about my interrogation before the Sejm Defense Committee. It was when my candidacy for the post of the minister of national defense was being decided. Then I had to answer the following question: What is your attitude toward organizations within the Army? In reply, I explained my attitude quite explicitly. I said that I would not envision the existence of any organization that would have political goals within the Army. I think that influencing the cadre policy or determining the Army in the state is a political goal....

[Reporter, interrupting] However, the associations are in the Army; Viritiv, for instance...

[Onyszkiewicz, interrupting] Well, Viritiv does not conduct any activities in the Army. Just show me one example of the activity of this organization. Show me an officer who is a member of this organization. I would like to add that no matter what the aims of such an organization, it cannot exist in the Army, and I will not tolerate such activities.

Government Will Introduce VAT on 5 July

LD3105125393 Warsaw PAP in English 1238 GMT 31 May 93

[Text] Warsaw, May 31—The government is determined to go ahead with VAT (value added tax) as scheduled, that is on July 5, Finance Minister Jerzy Osiatynski announced on Monday.

He made it clear that the government included a clause in a draft document on special powers (or decrees) which provides for the possibility of postponement of the VAT's introduction. Minister Osiatynski called this clause a safeguard to be applied "just in case".

Osiatynski said that if the government refrained from introducing the tax on July 5, VAT payers would be most affected.

Article Examines Decline in Trade With Russia

AU2805134093 Warsaw GAZETA WYBORCZA in Polish 26 May 93 p 16

[Anna Gasiorowska article: "The Retreat From Moscow"]

[Text] Four years ago the USSR was Poland's largest trading partner. Now, Western Europe, especially Germany, has taken Russia's place. Instead of becoming stronger, Polish-Russian trade ties have become weaker.

According to GUS [Main Office of Statistics], Russia occupied second place among nations exporting to Poland (thanks to exports of oil and gas) in 1992. On the other hand, our exports to Russia were lower than to Germany, Italy, or Holland.

According to the commercial attache at the Russian Embassy in Warsaw, Yevgeniy Osadchuk, Russian firms exported goods worth $1.25 billion to Poland in 1992. The Russians estimate our exports to be worth $600 million. In addition, Osadchuk estimates that trade between small firms, which are not included in the statistics, amounts to $600 million.

According to the Russians, Poles are too cautious about investing and want too much for their goods. They want as much as the Japanese for equipment that is worse. "So, its better to buy the latest technology in Japan than to buy it in Poland," says Osadchuk.

In his opinion, Polish firms win few investment tenders in Russia, because they act alone instead of forming consortia.

According to Poles, there is a fear of investing in the uncertain Russian market. For example, the majority of companies in the Kaliningrad Free Economic Zone have been formed with Polish capital, but the sums are not great and the firms are mainly involved in trading.

Besides, our firms are also afraid of trading, as many of them have lost both goods and money on "Eastern" transactions.

The transfer of profits is also an obstacle. According to most Polish businessmen, the non-convertible ruble is not a currency that is worth selling anything for. One can, of course, sell goods for dollars in Russia, but afterwards it is difficult to transfer the money out of the country legally.

In view of the situation, many Polish firms have decided to engage in barter trade: They accept raw materials in exchange for machines.

Often Russian firms that have received money for oil and gas keep that money in accounts with Polish banks. They do not want to spend it on our goods, partly because we are not able to make them attractive offers, according to the Ministry of Foreign Economic Cooperation.

It is true that the Russians are increasingly talking of trading in rubles and zlotys, but the Poles are afraid of the rampant inflation in Russia (although there are Polish firms that have representations there and are buying goods with rubles).

The Finance Ministry, which is conducting talks on the possibility of trade conducted in national currencies, believes that if the Russian Government ensured that Polish firms had the freedom to take goods out of Russia, the idea would be acceptable, especially as the risk is borne by the parties concerned anyway. If they have the freedom to choose goods, then they will manage to keep ahead of inflation.

"A system of guarantees, supported by the EBRD [the European Bank for Reconstruction and Development], for firms exporting to the East might be in operation by 1994," says Andrzej Arendarski, the minister of foreign economic cooperation. It is still not known whether this will apply solely to Polish-Russian transactions or whether it will also cover trade between the states that belonged to CEMA.

Transactions would be calculated in convertible currencies, but rubles and zlotys would be transferred into accounts. The accounts would be periodically balanced and the support of the EBRD would guarantee the credibility of the system.

The absence of a trade treaty also makes commerce difficult. It has already been prepared and is to be signed during President Yeltsin's visit to Poland, which is being constantly postponed.

Large and small firms are trying their luck in Russia. Some of them have turned up in the East out of necessity, when it became apparent that they would not stand a chance in the West. They include, for example, construction firms that are being forced out of Germany. Some of them believe that it is worth being in Russia even in the present unstable situation so as not to drop out of Eastern markets in the future.

Polish enterprises that know the markets there often act as middlemen for transactions involving the East. Firms from Singapore, for example, would like to use the experience of our businessmen. Businessmen in the Far East realize that Poles are supplying goods from the Far East to the Russian market.

"At one time, Polish goods were considered to be of good quality. Today, they are often synonymous with something that is both shoddy and expensive," says the Polish owner of several firms that are prospering there. "I met a tradesman in Kaliningrad who was drinking heavily because he could not sell off an automobile full of shoes. The shoes were really good and had Italian soles. At that time Russian women were buying up Italian shoes that cost three times as much, but an Italian had to come to Russia with 50 containers full of shoes and had invested in advertising beforehand. A small Polish firm has practically no chance at all of competing against him," he says.

Unfortunately, the term Polish businessman is often synonymous with someone who sweats and drinks a lot. The tradition of drinking before, during, and after concluding a transaction is sustained by Polish trade missions and cheap Russian vodka. "They are ashamed of drinking in their own country, so they come here to get drunk," say the Russians.

"I've never drunk a drop," says the businessman, "and that is why I have credibility in their eyes."

UK Foreign Secretary Hurd Addresses Parliament

AU0206114393 Bucharest Radio Romania Network in Romanian 0637 GMT 2 Jun 93

[Speech by U.K. Foreign Secretary Douglas Hurd at joint session of Romania's Parliament, in Bucharest on 2 June—live in English with superimposed translation into Romania, translated from the Romanian]

[Summary from poor reception] "President," and "honorable members of the Senate and Chamber of Deputies: I am very pleased that this is the first time for a foreign secretary of Great Britain to address a (?democratic) Parliament in Romania."

Great Britain has "always had an interest in Romania. We played an important role in Romania's achievement of independence in the 19th Century. In recognition, this month, Romania's Parliament granted Romanian citizenship to the British citizen [name indistinct]. I think that [name indistinct] had two motives to contribute to the achievement of this nation's independence: Freedom for the people in the Balkans and second to defend" Britain's "maritime route to India." He said the following: "There is no stronger barrier than the chests of free people." He "was a great—British-style—parliamentarian. Each country has its own parliamentarians."

"The British system—I suppose you have studied it thoroughly—is probably one of the most complicated systems in the world, as you know." "The House of Commons needed 210 hours to examine the laws stipulated by the Maastricht Treaty."

"Every system has to have in itself the possibility for change and renewal. Thus both chambers of your parliament are developing in their own way," which "will reflect the experience and historic tradition of Romania. If we can help you through the Know-How Assistance Fund" for "specific projects," we "will do this with great pleasure."

"True, regimes may be held together for a time, without democracy, through force, lies, and the creation of a climate of mistrust among people. In the modern world, however, such a regime cannot last."

"Democratic institutions are essential." It "is always more difficult and harder to build than to destroy." "In my view, parliament first has to be responsible to the people. This means that the members of parliament have to maintain contact with those who have elected them. Thus, there has to be constant contact." Then they "have to ensure the leadership, for sometimes it is necessary to take unpopular decisions, especially at times of national regeneration. The parliamentarians have to place national interests above party interests."

"The opposition's activity seems easy in a parliamentary democracy, but in practice, I think, it is extremely difficult." An objective "the opposition implies is the careful choice of issues to be discussed and the recognition of consensus where it exists."

"Here in Bucharest, you are involved in a tremendous regeneration efforts." "Probably, the birth pangs of democracy were the most traumatic of all the countries in Central Europe. So your efforts to build a stable civilian society in this country have gone through numerous traumatic moments." A "civilian society is being build in which people trust each other and the state institutions, because these institution" are "operating on the basis of the law. In this context, I understand that you are discussing the problem" of "the intelligence services. We, your friends abroad, are following this problem with keen interest."

"People have to have proof of the fact that their rights are firmly observed. They have to see that they have the right and free access to justice and that they enjoy freedom of association." We "cannot exclude tension from society, unless we do so by force, which is not healthy, but we can institutionalize it, as you are doing. This, through the permission of free discussions within Parliament and through the separation of powers" in the state.

"It is normal for Romania, which is engaged in this effort of regeneration, to desire to reaffirm its European identity. Here we are not only talking of Bucharest's reputation for being called Little Paris between the two wars. Your roots are European and your history is linked to European history; you were cut off for too long. The major issues concerning Europe today are, increasingly, better reflected in your mass media—a window that is increasingly opening to the world.

"We are active members of the European Community and we believe that it is absolutely normal for Romania to desire to acquire membership in the European Community." The European Community is characterized by a healthy democracy. Membership requires the existence of democracy; at the same time, it validates democracy. This can be seen in the history of various countries, as for instance, Greece, Spain, and Portugal. Dictatorships were overthrown, periods of regeneration followed, and then, after that period, all three countries became full members of the European Community.

"None of these situations represents a simple coincidence. Democracy is an essential condition for acquiring membership." We in "Britain have supported for a long time the idea of expanding the Community; by that we mean to include the countries from the East. At this point we are conducting negotiations with the Scandinavian countries, with Finland, Austria, Norway, and Sweden which want to become member countries." We support Romania, "which is part and parcel of this main trend of Europe's development through the European Community.

"Of course, there are not only rights, but also obligations; there are high standards" regarding "the environment,

the delimitation of the state's intervention," and "competition rules: a sufficiently strong industry is needed so as to permit competition on an equal basis."

"The European Community and Romania have signed an association accord, which is a very important step. On the basis of this accord, trade has been significantly liberalized.

"Since the European Community signed association accords with three Central European states last year, the volume of trade with those countries increased by 30 percent. There is no reason why the same thing should not happen in Romania's case. These association accords are dynamic." The "objective of Great Britain has always been to expand and speed the liberalization of trade within the framework of these accords." Thus, "for a long time Great Britain has supported the objective of accepting the Central European states." "Romania's links with the Community are strong but how well they will develop will depend on your and our efforts. In June we will hold another summit meeting in Copenhagen. I hope that at that meeting important measures will be taken to significantly strengthen relations between all countries in Central Europe. We want these decision to emphasize the support granted to your aspiration to join the Community." This will enhance "your trade." Of course, the Community does not only "mean details such as pork, water quality," and "directives about health," although "this might seem so, especially for those who apply these things.

"What the Community also means is the assumption of our responsibilities in the world. This means" that "the problems in former Yugoslavia continue to be one of our main tasks. One has to be realistic about this. No one with all his faculties ever predicted that a solution could be imposed from outside," for the "Croats, Turks or Muslims in Bosnia, except, maybe, by creating a protectorate" and "through the intervention of an international occupation Army, a solution no one" expects.

"All of us recognize the economic difficulties faced by Romania because of the embargo against Yugoslavia. It has interrupted trade, has disturbed relations among people, and it has disrupted many things." We realize how "important it is for Romania" that "this conflict be solved peacefully. Your position is decisive, because of your location on the Danube." "Tomorrow I will be in Giurgiu and will cross the Danube to Ruse. Thus I will be able" to see for myself "how the sanctions are applied and how the assistance mission works" to ensure "the application of these sanctions."

"West European" authorities "have held talks with the Romanian Government regarding how we can put at its disposal forces and equipment to help implement the sanctions. I welcome the agreement signed with the neighbor states and the meeting with West European" officials. "All this paves the way for the rapid deployment of the personnel." It also helps "the Center for Coordination of operations in Calafat."

Unfortunately, "no one from the European Community has been able to put an end to the suffering and fighting in former Yugoslavia. Our objectives, which are the same as yours, are to make the Bosnian Serbs and the Serb Government abandon their goals, to halt the expansion of fighting—in Croatia, Kosovo, Macedonia and other places—to create a structure by proceeding from the Vance-Owen plan," including the "withdrawal of the Bosnian Serb Armed Forces." Efforts have to be made to put an end to "the suffering, hunger, and sickness" of people.

"To implement these objectives, the international community will work ceaselessly, but without haste." "Peace has to come," but "it has to be achieved under correct terms. This is in the interests of all, especially in the interest of neighboring states." "It should not be a mere dressing while the wound is still festering."

"Great Britain will continue to support you, along with other Western states." "Your ambassador to London, Mr. Titulescu, said before World War II: He who does not understand the importance of Great Britain's moral support, had better not engage in European politics. We can offer you more than just moral support; I have mentioned that we can offer know-how" and "our contribution to the European Community funds."

"We will grant our support and offer our friendship," knowing "that Romania is proceeding along a new road." "You are involved in a unique experiment." We are aware of "the difficulties you are facing." "Looking, however, at the things you have achieved along your own way and not one prescribed by other countries, we, Great Britain, know that Romania will become an increasingly more important participant in European activities."

"We wish you good fortune; we will help whenever we can. And, Mr. President, ladies and gentlemen, we look forward to continue to work with you.

Thank you."

Signs Joint Declaration With Melescanu

AU0206111493 Bucharest Radio Romania Network in Romanian 1000 GMT 2 Jun 93

[Excerpts] After an hour of official talks between the Romanian and British foreign ministers, the Joint Declaration of the Government of Romania and the Government of the United Kingdom of Great Britain and Northern Ireland was signed at a ceremony in Bucharest today by Teodor Melescanu, minister of foreign affairs of Romania, and Douglas Hurd, British secretary of state for foreign and Commonwealth affairs.

In brief statements, the two politicians expressed satisfaction at this event—which marks a very important stage in the increasing cooperation between our countries—and at this first political document signed by the United Kingdom and Romania after the December 1989 revolution, a document that lays a solid foundation for the development of our relations. [passage omitted]

Here is a brief outline of the Joint Declaration:

The document hails the transition from confrontation to cooperation in Europe and reiterates the two countries's commitment to observe the principles and provisions of the Helsinki Final Act, the Paris Charter for a New Europe, and other relevant CSCE documents. The freedom, security, and prosperity of all European states are best protected by interdependent institutions, in which the CSCE, the North Atlantic Alliance, the EC, the Western European Union, and the Council of Europe supplement each other.

In this respect, the UK Government expects and reiterates its support for Romania's admittance as full member to the Council of Europe. The Joint Declaration welcomes the signing of the association accord between the EC and its members countries, on the one hand, and Romania, on the other, and calls on the EEC member countries to ratify this accord as soon as possible.

Here is a final quote from this declaration: We will take joint steps to facilitate Romania's fulfillment of the necessary requirements for joining the European Union in the future, as stipulated at the Edinburgh meeting of the European Council. Likewise, we intend to intensify links between the European Community and the democratic countries engaged on the path of reform in Central and Eastern Europe, by promoting closer economic and political cooperation. [passage omitted]

At the palace on Metropolitan Hill, Douglas Hurd met with the presidents of the Senate and the Chamber of Deputies, Oliviu Gherman and Adrian Nastase. Foreign Minister Melescanu was also present at that meeting.

The British guest also met with the leaders of the opposition parliamentary groups, namely Corneliu Coposu and Ion Ratiu from the National Peasant Christian Democratic Party [PNTCD] and Bela Marko from the Democratic Union of Hungarians in Romania [UDMR], in the presence of Emil Constantinescu, president of the Democratic Convention of Romania [CDR], and had a separate meeting with Petre Roman, president of the Democratic Party [PD].

Douglas Hurd was also received by Prime Minister Nicolae Vacaroiu. This afternoon, he is scheduled to meet with President Ion Iliescu, after which he will hold a news conference.

Speaks at News Conference

AU0206141093 Bucharest Radio Romania Network in Romanian 1252 GMT 2 Jun 93

[Introductory statement by UK Foreign Secretary Douglas Hurd at a news conference in Bucharest—live; in English, with superimposed translation into Romanian, translated from the Romanian]

[Text] [Hurd] I am very glad to have been able to make my first visit to Romania. I am very grateful to the president, who has just received me, to the prime minister, to the foreign minister, to the presidents of the Senate and the Chamber, and to all the deputies who encouraged and invited me to speak to them this morning. For me, this is an important visit, and I welcome the Joint Declaration we signed today, which shows in some detail Britain's commitment to cooperation with Romania, as Romania moves forward on this formidable task of regeneration that you have set yourselves.

We spent some time on bilateral cooperation, on trade, on investments, where we are among the top three of those who invest in the new Romania, and on the matter of the Know-How Fund which we hope—and believe from Romanian reaction—is well targeted, quick, and efficient. But also we know that the European institutions and the European Community have an important contribution to make.

The British have pressed hard on the Community to open its doors. We are in favor of concluding association agreements that are dynamic and trade arrangements, provided that the Eastern countries gradually build themselves up to the point when then can be received in the EC with open arms.

I hope that, following the good progress we made at Edinburgh, at the last European summit, we will also make progress in implementing this association accord and will facilitate the access of Romanian products to West European markets.

Of course, there are always questions being raised in the West regarding the nature of the democratic society you have here and the observation of human rights. I do not think it is up to me to dwell on private aspects of the subject. However, I do not doubt that there has been progress and more progress is expected—by that, I mean the progress of Romania toward political and economic reforms and more progress is to be desired, as Romania advances toward the heart of Europe and toward full membership.

I also discussed with the foreign minister and the president of Romania various problems pertaining to former Yugoslavia. The problems we discussed in Washington, and which were written down in the accord signed there, contain, on the one hand, major steps that must be immediately taken on the basis of the Vance-Owen peace plan; on the other hand, it stipulates targets for Yugoslavia's reintegration after the end of the conflict. Romania has played a robust part in implementing these measures and this is Romania's duty, as a member of the United Nations, to maintain stability in this area, among its neighbors.

Romania is among those that want to stop the fighting and do not believe in a military solution to this conflict. We have to maximize the economic, financial, and the peaceful pressures which favor a peaceful solution. That is why I welcome very much Romania's intention to join the European Community's effort, for example, and we

pledge all the help we can give on the police and customs side. Romania is suffering losses from the embargo against Yugoslavia, consequently the EC should take into consideration these losses, as they judge and estimate the help Romania needs for its different tasks.

These are the main issues we discussed. I believe that both on the bilateral side and the European side, Romania has a good friend in Britain, which from time to time may question some of its actions and express concern about what is going on in Romania, but which will support Romania and ensure that Romania can continue to rely on it. Thank you.

Spiroiu Interviewed on Changes in Armed Forces

AU0206081393 Bucharest ADEVARUL in Romanian 24 May 93 pp 1, 4

[Interview with National Defense Minister Lieutenant-General Niculae Spiroiu, by Sergiu Andon; place and date not given: "We Have Discipline Among Our Forces Under Control"]

[Text] [Andon] What new elements could you mention concerning the compliance of our armed forces with the requirements of the state of law?

[Spiroiu] Besides the package of five draft bills regulating the status of the military body—among which the bill on preparing the territory and economy for defense, the bill on the statute of the military personnel, and the bill on requisition—which has been forwarded to the competent parliamentary commissions—and besides the implementation of the structures elaborated for the central bodies of our ministry and for our important operative headquarters, currently we are working—under the care of the Supreme Defense Council of the country—on the elaboration of a national security and defense strategy which is to include the military doctrine that has already been established. That strategy is to be submitted to Parliament before the end of this year; actually we would like to submit it sometime this autumn.

[Andon] Are the five draft bills you mentioned not belated?

[Spiroiu] Actually, in their draft form, they were debated twice by the government. The first time, they were discussed by the previous cabinet led by Theodor Stolojan, and they were then discussed again by the current government.

[Andon] Why do you lay so much emphasis on the implementation of the new structures? Are they related in any way to the access of civilians to the leadership of the ministry?

[Spiroiu] Those are structures that were adopted after we had examined the facts stemming from the experience and the organization of a great number of armed forces of several democratic western states. Our goal was to set up new offices and departments, especially within the central leadership bodies in our ministry—which would have their correspondents in the armed forces I mentioned. This contributes to the establishment of a proper connecting interface in bilateral relations and also facilitates our integration within collective security structures in Europe. Besides that, they make it possible for civilians to have access to the armed forces' leadership; we have already completed the first step, and Mr. [Ioan Mircea] Pascu [presidential counselor, member of the Steering Council of the Euro-Atlantic Center], an independent political personality, has been readily accepted by all the structures of our armed forces and by all political forces in Romania.

[Andon] Will that process be continued? What is the role played by requirements expressed by various European bodies and NATO?

[Spiroiu] We will not alter anything merely for the sake of formally complying with such requests. Our dialogue partners have realized that, owing to our country's traditions, the position of defense minister should be occupied by a military person. Besides, that is not just a simple matter of a personal option, but rather a matter affecting the whole structure of the military body. Modifying those structures [replacing military personnel by civilians] to a greater extent than is really needed would be tantamount to the dislocation of a huge number of our personnel with everything implied by that, such as considerable costs and social problems.

[Andon] How did other countries, the situations of which are similar to ours, solve the problem?

[Spiroiu] Some of our neighbors, wishing to please the West as much as possible, despite the fact that their ministries were organized according to the principles of the Warsaw Pact, have appointed civilian political personalities. Those persons were unable to cope with their new duties so they had to appoint two or three new ministers each year. That is too high a risk in an area that is tormented by political tension, such as ours.

[Andon] What is your assessment of the discipline within our armed forces?

[Spiroiu] I would say that there is more firmness now, because, you know, after the [1989] revolution, officers were, sort of, afraid to be firm. Well, things are back to normal now. We took disciplinary measures by even placing in reserve all personnel that did not comply with military norms. As a result of that, cases of grave violation of military discipline have dropped by 38.4 percent compared to 1991 and by 33 percent over the first three months of this year compared to the same period in 1992. This means that the process of reestablishing order and discipline is proceeding normally.

[Andon] Nevertheless, a large part of our public seems to be convinced that the phenomenon of corruption has penetrated the armed forces as well.

[Spiroiu] Due to the fact that we have to nourish and equip a great deal of people, we come in contact with various company owners. Some of them are dishonest. However, none of them has succeeded in defrauding or affecting in any way our patrimony or the public money invested in the armed forces. Even if they sometimes managed to cause us losses we always recovered the damages. There were cases when we recovered the entire amount, to the last dime, including interest—as if we had deposited the money in a bank—although the persons involved were in prison. We have dealt in a similar way with every other such attempt, including the Kent [brand name] case [large-scale cigarette smuggling, in which military personnel were involved]. As a result of the information we offered to the prosecution, police, and the ministry of finance, the person who exploited the gullibility of the Romtehnica [company] had to pay 3.5 million dollars, thus fully reimbursing the losses of the state. Whenever our business partners, with whom we were in contact within the process of buying supplies, proved to be dishonest, we always recovered our losses with the help of our justice bodies, the prosecution, and the police, with which we cooperate very well, and we saw to it that it should not happen again.

[Andon] The dishonest persons you mentioned are not members of the armed forces. What about the corrupt ones within the armed forces?

[Spiroiu] They have to report to me every morning, even if somebody stole merely a pair of boots from our stocks. The persons of Romtehnica were actually four or five officers, some of them pensioners, but all of them had been placed in reserve. However, as a result of our investigations regarding their having leased our storehouses for a limited time [to deposit the smuggled cigarettes], we still took legal steps against them. So far, no serious corruption cases have been revealed within the armed forces. I would like to give you an example. The press has written about the case of the razor blades, corrupt generals, mafia, and so on. I would like to explain what really happened. In the fall of 1992 we set up a contract to buy razor blades, as we expected a new contingent of recruits. They do not manufacture razor blades in our country. Through the mediation of Romtehnica we found a foreign supplier who offered razor blades at the equivalent of six lei a piece; on the Romanian marker they were selling the same razor blade at a price of nine lei. We concluded the contract, we opened an account, we received the razor blades, the dollars were transferred by the national bank, and—according to the usual procedure—our administrative office was to transfer the equivalent of the dollars in lei to the bank. During the period which started with our opening of the account and ended with the receipt of the goods and our payment in lei, the government issued its decision concerning the third step of the liberalization of prices and the internal convertibility of the national currency by using the method of fixing to establish the daily exchange rate. On the very first day after that decision the exchange rate of the dollar rose from 160 lei, as it used to be before, to 280 lei. Our administrative office was thus compelled to pay 280 lei for every dollar spent on the razor blades and not 160 lei, as calculated at the time we signed the contract. Of course, that payment was made to the Romanian state. Can you see any corrupt generals in this whole business? Why should the administrative office be blamed just because the Romanian government decided to establish the exchange rate by fixing, which made the dollar's price rise by 120 lei, as a consequence of which each razor blade actually costed 11 lei, whereas on the domestic market it was being offered at nine lei. Is there any corruption here? That is no corruption, that is a factual situation. And there are similar explanations for everything, including the cases of meat pies, rice, and so on.

[Andon] Let us return to the Kent case. Are there any military persons involved in this case of illegal cigarette imports?

[Spiroiu] Only as far as that the two persons in charge of that storehouse accepted the lease to be paid in lei instead of dollars, that they accepted payments in cash instead of having the money transferred via the bank, that they accepted that some of the cigarettes should be sold in the officers' mess on Army premises, and that they did not apply for my approval to lease the storehouse, because I had initiated a government decision on that, stipulating that they should request my permission. Because of all those things—which are internal affairs, after all—I have placed them in reserve, I demoted them.

[Andon] Could similar scandals be revealed again?

[Spiroiu] I would like to state that there cannot be another scandal. We are continuously monitoring the way in which laws are observed. We are able to do that permanently by means of our financial and budget oversight body, which we have saved from the old system and which we have strengthened and mean to strengthen in the future as well. We are also monitoring by means of the [defense] minister's oversight group, which we will strengthen in a similar way; by the daily reports sent to us by our troops' commanders we manage to keep the whole system under control. That is why I can be so sure that there will be no similar scandal. In fact, that was not a scandal either, actually they just exaggerated some minor issues. As a matter of fact, General [Gheorghe] Florica [the meanwhile ousted head of the Romanian Financial Oversight Body] has personally told me: Mr. Minister, do not fret so much about this business with the cigarettes, because the whole fraudulent operation has its center neither in Clinceni, nor in Plevnei [army centers]. The cigarette mafia is spread all over the country. I can tell you where their depots are. I was surprised to see that they chose to bust Romtehnica. If they accept, I can show them where the really big smuggled cigarette storehouses are. So do not worry, your case is just a trifle, he told me.

[Andon] You are quoting the disputed person of General Florica a lot. Does that also mean that you resent his demotion?

[Spiroiu] I do not resent anything and I am not upset. That is what ADEVARUL [daily that first reported on the major corruption scandal] has reported. I did not resent anything. That was just a discussion during which I accepted the appointment of Lieutenant General Gheorghe Danila [replacing Florica]. Finance Minister Florin Georgescu and I agreed to look jointly for a replacement—actually he was the one who first brought up that name, after which I checked on him and agreed, as I consider him most appropriate. We agreed on everything, there has been no argument, not even tense discussions, but rather a talk between colleagues, during which Georgescu said: Look, I did not know I had to ask for your accord. And I replied: If Florica has not done any stupid things, I will take him back to the armed forces, and if you appoint Danila I fully vouch for him, because Danila is a very serious man and a good professional; the only problem is that we will have to take care and consult each other on whom to select to replace Danila when the time comes. You see, we talked as colleagues should, no arguments whatsoever. However, what happened later? I wanted to notify Florica in advance, because I thought he might interpret his replacement from the leadership of the financial oversight body—as he later actually did—while he was fighting against corruption, as a fact that could make it look—both in the eyes of the military and of civilian society, where he was a known personality—as if he had been involved himself.

That is why I wanted to notify him in advance so that he would not start accusing people and opposing his replacement. I wanted to tell him: "Please keep calm!" Unfortunately, in the very moment I called him on the telephone he was sitting in Florin Georgescu's office, where he was being briefed on the decision to replace him. Being upset, he began to make all sorts of statements to the press, the BBC, and God knows to whom else. After I received the official letter on the conclusion of his detachment to the financial oversight body, dated 26 April, he returned among the employees of our ministry. I summoned him and told him: "Considering that now you have returned to the Ministry of National Defense, it would be better if you made your statements (I would not prevent you from making them) via the press bureau of the ministry, because as of now anything you say may be linked to the armed forces."

[Andon] How do you assess General Florica's disclosures?

[Spiroiu] I have also seen the reaction of the press. I have discussed that with him and he said he had not given them any list of persons involved in corruption cases; he talked to them relying on his notes made in a notebook; the typed list that was circulated by the press must have come from sources at the financial oversight body or the ministry of finance. Of course, these parliamentary commissions do have the short-hand minutes of all meetings, so the inquiry body, which has just been set up—if I am correctly informed—will be able to examine them and find out the truth. One thing is certain: the Kent case has absolutely nothing to do with the replacement of General Florica. On the very day he came back to us, that is, on 28 April, both Florin Georgescu and Prime Minister Vacaroiu assured me that Florica had been a great organizer, that there are no objections whatsoever concerning his correctness, and that they have thanked him for everything he had done.

[Andon] Is that the reason why the Army press bureau has given him a good conduct certificate?

[Spiroiu] On account of the opinion of the two dignitaries, I told General Florica the following things: "Relax, take your annual leave until we find a proper office for you, because we were caught unprepared by the conclusion of your detachment. Considering that you now belong again to the echelons of the National Ministry of Defense, it is my duty, as your minister, to defend your military honor."

At the time, he was very worried, because just one day before that there was an item or some news in the press, claiming that his replacement was part of the scheme to fight corruption. They also mentioned General Ursu from the Romtehnica and tried to establish some artificial connection between the Kent case and Florica's replacement, and so on. I told him: "You should relax, Mr. Florica, take your annual leave, because the army press office will issue a communique on that."

[Andon] Does that mean that you do not believe he was involved, in some way or other, in any of those much disputed cases?

[Spiroiu] First of all I would like to point out that too much fuss is being made about a personnel change that is considered normal in any state, when a public servant is replaced because, let us say, the minister wants to improve activity in that field. Considering this, I think General Florica should not have opposed his replacement and should not have accused anyone, as that was a mere replacement of an employee of the finance ministry. Personally, I do not agree with the way he acted.

[Andon] So you do not believe that he was replaced because he wanted to clear up corruption? Or perhaps because he belonged to a particular political grouping?

[Spiroiu] It so happens that I know the circumstances under which he was appointed general commissary of the Financial Oversight Body. The government, Mr. Roman, in his capacity as prime minister, has asked General [Victor Atanasie] Stanculescu, who was defense minister at the time, to recommend a trustworthy person to be appointed as head of the Financial Oversight Body, which had just been set up.

[Andon] Did the government also suggest his [Florica's] name?

[Spiroiu] No... No... They just requested any person. Stanculescu then told me and General [Ionel] Vasile of the Financial Direction to select a number of people who would be suitable for that office. So, together, we selected about five persons, all of them financial experts.

[Andon] Let us move on to another issue, that of the political non-involvement of the armed forces. What are the guarantees for such a non-involvement? Is there any warning system that could be activated in case the armed forces become politically polluted?

[Spiroiu] Yes, there is one. We are continuously sending information material to the commandments of our troops. During the direct contacts, the armed forces' leadership, at various levels, has with people [officers], they thoroughly explain the perils of our involvement in politics.

[Andon] There have been rumors that in localities in which large garrisons are placed the National Block [parliamentary alliance of the National Romanian Unity Party and Greater Romania Party nationalist groupings] received more votes during the latest elections, owing to the presence of the military there. Do you think that is true?

[Spiroiu] That is not true. This is why it cannot be true: First of all, the military electorate is absolutely insignificant compared to the civilian one. You know, the armed forces merely make up one percent of the whole mass of voters. Secondly, the results of the voting in our units where we had ballot boxes last year were sent to the government and they analyzed them. You might be surprised, but the percentages obtained in that ballot were quite similar to the general turnout throughout the country.

[Andon] Mr. Minister, a humor magazine has published all the secrets concerning the equipment of the armed forces. How could such a thing happen?

[Spiroiu] Their source was a catalogue published on a regular basis in Vienna, which relies on information supplied by all states. I could also show you the almanac of the U.S. armed forces, which is on sale in every news stand, or perhaps the yearbook of the French defense, which contains all the details of their equipment. Thus, their documents did not come from our sources, but rather from that catalogue, and I presume that someone has played a practical joke on that magazine by copying the catalogue and telling them the information was obtained through leaks at the defense ministry. That is what I think.

[Andon] Should I understand that the democratization of the Army also refers to a better definition of the things that are really secret and what is sheer secrecy-mania?

[Spiroiu] It is a fact that our permanent contact with the civilian society and the openness we are compelled to pursue owing to the nature of the democratic regime in a state of law also implies less secrecy. That kind of secrecy-mania you mentioned and which certain people expect us to observe, is actually not beneficial for us because we have to be open and convince tax-payers that what they spend on defense is being used correctly. I am asking for money, more money all the time; I want the defense budget to be as large as possible—unfortunately, the results are not very encouraging—so I cannot afford to keep what I do with the money secret and build a wall of secrecy around me.

[Andon] Do you think that the area of justified secrets—all armies have such secrets—is well protected?

[Spiroiu] I think that, in the Romanian armed forces, they are well protected. I would like to point out that we had to take measures because a number of such elements were vented during the [1989 December] revolution, so at the beginning of last year we changed everything that was revealed then. As a result of that, none of the things divulged then is valid any more. All previous information has become useless. We have changed everything.

Gherman Summarizes Visit to Turkey

AU3105171493 Bucharest ROMPRES in English 1553 GMT 31 May 93

[Text] Bucharest ROMPRES 31/5/1993—"Similar opinions were expressed as regards (the necessity of) a realistic policy in the Balkans and cooperation for the building of an economic community in the Black Sea area," Oliviu Gherman, president of the Senate, head of a Romanian parliamentary delegation having paid an official visit to Turkey, told a Monday, May 31, press conference.

The members of the delegation, Senator Paul Popescu—Christian- Democratic National Peasant Party, Senator Gheorghe Dumitrascu—Democratic National Salvation Front, and Deputy Feuzia Rusid, representative of the Democratic Turkish Union, member of the Romania-Turkey parliamentary group, mentioned that during their interviews the two sides said that they were willing to develop their political, economic, cultural and commercial ties, special stress being laid on parliamentary links, in the spirit of mutual trust.

The Turkish party had words of appreciation for Romania's stance regarding the situation in Bosnia-Herzegovina, the importance of the recent visit of the Romanian president in former Yugoslav countries. The Romanian delegation underlined that Romania would make no contribution to a military intervention in Yugoslavia, if any, in no conflict in the Balkans, that it militated for a political settlement of conflict situations.

The role of Romania and Turkey was mentioned among other things, in ensuring peace and stability in the geo-political area we live in, in the democratisation of the Romanian society.

Labor Minister Views Standard of Living

AU0106114793 Bucharest ROMPRES in English 0926 GMT 1 Jun 93

[Text] Bucharest, ROMPRES, 1/6/1993— "The fact that our living is harder every year stems from our unfortunate dowry and from the constant fall of production," Labor and Welfare Minister Dan Mircea Popescu told weekly EXPRES MAGAZIN. "When production drops to one half of its 1989 level and exports diminish at an equal pace," the minister said, "how can we expect to live better. Living standard is proportional to production, to how economy fares. Another cause lies in the sudden switch from one type of society to another type of society, from a super-centralized economy to an economy that strives towards a free market system." Minister Popescu also named some external factors that added to internal conditions: the dissolution of the COMECON, the Gulf war and the conflicts in former Yugoslavia. Romania is struggling, he said, with a drastic shortage of raw materials, 60 per cent of its industry being based on raw materials from the former Soviet Union.

Dan Mircea Popescu also showed that, according to government estimations, the end of 1993 and the beginning of 1994 should mean a real turning point in the course of productive activities and, consequently, a relative improvement of life standards. In his opinion, "this initial assessment of the government should be amended to the effect that things have not proceeded in the prognosticated manner. Though slightly on the growth, production is still below 1992 levels. This makes the government struggle for at least maintaining the present living standard. Therefore 1994 will be no better. Our ministry is trying to alleviate difficulties deriving thereof by redistributing revenues to disfavored segments, but it does not lie in our power to change the living standard. The necessary levers for that are in the hands of the economic ministries, state companies, small and medium businesses, private ventures. The means are in the hands of the reform we all wish to see going on," the minister said.

Foreign Media Bulletin: Balkan Crisis 2 June

WA0206160793

The following is an overview of current FBIS reporting on events in the Balkans. It supplements other FBIS reporting and consists primarily of selected summaries of longer reports. For reference purposes, serial numbers of the longer reports are provided.

SUMMARY

Demonstrators, police clash in front of Federal Assembly building, opposition leader Draskovic beaten, arrested ... Bomb explodes in courtyard of Bulgarian Embassy ... Croatian paramilitary leader on trial in Zagreb ... Serbian attacks on Gorazde continue ... Danish UNPROFOR drivers killed near Maglaj ... Bosnian Croats threaten to block humanitarian aid for Muslims.

POLITICAL

DRASKOVIC ARRESTED AFTER MELEE (TANJUG, Belgrade Radio, AFP): Protest by "several thousand" opponents of Milosevic government broken up by police in front of Federal Assembly building. Demonstrators protesting against dismissal of FRY President Cosic, physical attack by Serbian Radical Party deputy on deputy from Depos opposition party. Opposition party leader Draskovic reportedly beaten, arrested by police, who used tear gas on crowd. Serbian Ministry of Internal Affairs claims "aggressive" protestors organized by Draskovic "used firearms" in attempt to storm Assembly building, Draskovic knocked policeman "unconscious." Ministry says 26 demonstrators, policemen wounded. (AU0206083893, LD0206025893, AU0206101493)

BOMB EXPLODES AT BULGARIAN EMBASSY (BTA): Bulgarian charge d'affaires reports explosion of bomb in courtyard of Bulgarian Embassy, says embassy has recently been "object" of "anti-Bulgarian elements." (AU0206101393)

PARAMILITARY LEADER'S TRIAL RESUMES (Zagreb Radio): Trial of Croatian Party of Rights leader Paraga, three other party members resumes before military court in Zagreb. Paraga charged with "terrorism," threatening "constitutional order," for setting up Croatian paramilitary unit. Trial interrupted in April because of absence of Paraga, who was in United States.

MILITARY

SERBS ATTACK GORAZDE (Sarajevo Radio): Sarajevo Radio accuses "drugged" Yugoslav Army soldiers of using "chemical agents" in continuing attacks on Gorazde, says "dozens of thousands" of dead lying on streets of town. UNPROFOR still unable to reach besieged Muslim enclave. (AU0206145693, AU0206121293)

UNPROFOR DRIVERS KILLED (Sarajevo Radio): Muslims accuse Serbs of attack on UN humanitarian aid convoy that killed four Danish UNPROFOR escorts. Bosnian Serb leader Karadzic says "any possibility" of Serbian involvement "must be ruled out," suggests Muslims responsible for attack. (AU0106193093, LD0106192993)

CROATS THREATEN TO BLOCK AID (Zagreb Radio): Bosnian Croats tell Muslims at cease-fire talks that "no convoy carrying humanitarian aid for Muslim areas" in central Bosnia "will be allowed to pass" through Croatian lines unless Muslim forces allow delivery of aid to Croats in Konjic. Croats suggest they "will be forced" to cooperate with Serbs to ensure aid deliveries if Muslims refuse. (LD0106220993)

Serbs Plunder Villages East of Gorazde

LD0106223693 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 2200 GMT 1 Jun 93

[Text] Gorzade is far from New York and Geneva, but Medjedja is even further away. Chetnik troops entered this village today and reached the first row of houses in Ustipraca. They first plundered everything in their way and then destroyed and burnt it. Over 200 houses and apartments, as well as mosques, schools, and public facilities, have been burnt down. The entire Drina River valley is engulfed in thick and dark smoke and is reverberating with strong explosions.

We learned from army sources that 35 tanks, 10 armored personnel carriers, and 3,000 Chetniks are heading for Gorazde from Uzice. According to available information, this mighty military force is already on the territory of Bosnia-Herzegovina and is approaching Gorzade and threatening it with a fresh catastrophe.

The defenders are ready to fight and as long as there are people around, Gorazde will defend itself. Then, perhaps someone's conscience will finally start to work. Naturally, UN observers have not yet arrived. Instead, shells are raining on the free territory.

There are fresh casualties, especially civilians, on all sectors of the battlefield. It is [word indistinct] to talk about figures in this situation. These are human lives and not statistical data from New York and Geneva offices.

'All Villages Burned Down'

LD0206073793 Zagreb Radio Croatia Network in Serbo-Croatian 0700 GMT 2 Jun 93

[Text] Serb forces, reinforced by tanks, are attacking Gorazde from all directions. Several thousand civilians are fleeing the onslaught, Sarajevo radio reported this morning. All villages east of Gorazde have been burned down in the latest Serb offensive, a report says.

Last night was relatively quiet in Sarajevo. There was sporadic sniper fire and two shells were fired from Serb positions.

UNPROFOR Confirms Fighting

AU0206112593 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1000 GMT 2 Jun 93

[Text] Although UN Protection Force [UNPROFOR] monitors still have not been allowed into Gorazde and to obtain on the spot information on the aggressor's fierce offensive on this city, the UNPROFOR Headquarters has received confirmation [word indistinct] Bosnia-Herzegovina about attacks on this part of the country.

As was stated by UNPROFOR spokesman Barry Frewer, NATO pilots policing the Bosnia-Herzegovina skies, have confirmed that battles are in progress in the wider area of Gorazde. The planes have sighted fires at a distance of seven to 10 kilometers northeast of Gorazde, which are believed to be the result of powerful explosions caused by grenades.

Since UNPROFOR still does not have observers in the field, the commander of the UNPROFOR forces in Bosnia-Herzegovina, General Phillipe Morillon has lodged a sharp protest with the aggressor's side because it has prevented UNPROFOR from entering Gorazde. General Morillon has lodged a similar protest with the UN Security Council and asked that the pressure on the Serbian, aggressor's side be stepped-up to stop the offensive and allow the UNPROFOR observers to reach the site of the conflicts in Gorazde and its surroundings.

Chemical Agents Reportedly Used

AU0206121293 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1000 GMT 2 Jun 93

[Text] At the end of the war rubric, we have a report that has just reached our editorial room.

A real inferno is still the situation on a part of the Gorazde free territory. [Words indistinct] villages have been burned. The latest information says that the [word indistinct] have captured [words indistinct] civilians that were not able to flee the threatened areas. Moreover, yesterday and this morning, the aggressor used chemical agents in this area. The members of the Bosnia-Herzegovina Army resisted fiercely, so that yesterday they managed to destroy another tank.

The situation is getting worse by the hour. The aggressor has brought in fresh forces. This is the Krajina Corps, which has many mercenaries in its ranks. Based on tests conducted yesterday on the bodies of deceased Chetniks, among the mercenaries and members of the former Yugoslav People's Army who are attacking Gorazde, a number of soldiers had been drugged. Yesterday the Chetniks attempted an infantry breakthrough six times in the region of Ustipraca, but all the attacks were vigorously repelled.

Survivors from the village of Kaostice and other places where most of the casualties were civilians from today on call this place Clinton's graveyard, because the people from this region gave timely warning to the domestic and international public. Two days ago they turned directly to Mr. Clinton and the UN Security Council, asking for an urgent intervention that would protect the civilian population in this area.

We have information from the Eastern Bosnia Operative Group that the Chetniks are fiercely shelling the defense lines around (?Visnik), and the lines toward Cajnici. There is shelling in the area of the local commune of Ilovaca, Vranici, and Litkovici. From this area, the organs of the Bosnia-Herzegovina Army are sending us information that the Chetniks from the direction of Pale and (?Tracve) are regrouping. That is why we call on all citizens of Gorazde to resist the aggressor with all means,

to contribute to the defense of our beloved city, says the report of Radio Sarajevo's correspondent from this city.

Izetbegovic Urges Lifting of Arms Embargo

LD0106210193 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 2000 GMT 1 Jun 93

[Text] In connection with the brutal attack on Gorazde, Alija Izetbegovic, president of the Bosnia-Herzegovina Presidency, sent a letter to the Security Council.

Dear Sirs,

Serb paramilitary units, directly assisted by the Yugoslav Army from Serbia, are continuing their conquest through Bosnia-Herzegovina. It is now the turn of Gorazde, upon which a huge force has descended. The attackers are destroying everything, and they can do it because you have tied our hands while our people are being killed and our state is being destroyed.

You say that you do not want to interfere in the conflict, but gentlemen, you have already interfered too much and very directly when you imposed the arms embargo against the former Yugoslavia. The embargo affects practically only Bosnia-Herzegovina. It is obvious, I hope, that the embargo has directly helped the well-armed attacker, and fatefully hampered the victim.

The consequences are obvious and tragic. Two-thirds of our country's territory has been occupied. More than 200,000 civilians have been killed. More than 1 million people have been evicted from their homes. Hundreds of towns and villages have been destroyed. This is the price this country and this nation have paid for one unfortunate decision and for your incomprehensible stubbornness in implementing it, although all circumstances have changed in the meantime.

Whether you help us to defend ourselves or not is your choice and your right. Self-defense, however, is our right. You have denied us that right. Give us our right back.

'Indecisiveness' of World Community Condemned

LD0106210893 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 2000 GMT 1 Jun 93

[Text] With a view to dramatic developments in Gorazde, to which Alija Izetbegovic, president of the Bosnia-Herzegovina Presidency, drew attention, the Bosnia-Herzegovina Government is demanding urgent action by the UN Security Council with the aim of halting the aggressor and instantly stopping the fighting and urgently sending UN Protection Forces together with a convoy of food and medicines to the Gorazde area, says a letter send to the president of the UN Security Council by our government today.

In this offensive on the Gorazde area, the aggressor has completely destroyed and burned down scores of villages and killed people who were not evacuated. Constantly under fire from heavy artillery, 8,000-9,000 people are heading for Gorazde. The citizens of Gorazde themselves, however, lack the basic living conditions because they have for months been without food, medicine, and adequate space for living, the letter says.

At today's session, the Bosnia-Herzegovina Government discussed the latest situation in Gorazde, and on this occasion it condemned indecisiveness of the world community to halt and punish the aggressor and it condemned the world community because with its conduct it is still encouraging the dismemberment of Bosnia-Herzegovina, ethnic cleansing, and genocide against the population.

Humanitarian Flights Into Sarajevo Suspended

AU0206073493 Paris AFP in English 0720 GMT 2 Jun 93

[Text] Sarajevo, June 2 (AFP)—Humanitarian flights into Sarajevo were suspended Wednesday for 24 hours after two French legionnaires were seriously wounded by sniper fire at Sarajevo airport overnight, a U.N. official said here.

In two other incidents Tuesday, a German aircraft was "illuminated", or traced, by radar after taking off from Split on the Adriatic Coast and a mortar shell landed on the runway at Sarajevo airport, Jerry Hulme of the office of the U.N. High Commissioner for Refugees (UNHCR) told AFP.

No Water, Gas, Electricity

LD0106152793 Belgrade TANJUG in English 1432 GMT 1 Jun 93

[Text] Belgrade, June 1 (TANJUG)—Sarajevo, the capital of Bosnia-Herzegovina which is engulfed in an ethnic war, was left without water, gas and electricity on Tuesday but fighting was less intense than on Monday, the UNPROFOR [United Nations Protection Forces] Belgrade headquarters told TANJUG.

Military observers report that fewer shells were fired in the area of Sarajevo on Monday than the day before—a total of 170, including 19 which hit the airport area.

In spite of the shelling, 17 aircraft with humanitarian aid landed at the airport. There have been 3,678 flights so far in the operation of bringing humanitarian aid to the citizens of Sarajevo by air, said the UNPROFOR.

UNPROFOR troops in the territory of Bosnia-Herzegovina, where an ethnic war between local Serbs, Croats and Moslems has been raging for fourteen months already, on Monday escorted 28 convoys which brought 1,081 tons of humanitarian aid.

Serb Snipers Active in Dobrinja; Maglaj Cut Off

AU0206101193

[Editorial Report] Sarajevo Radio Network in Serbo-Croatian at 0800 GMT on 2 June carries in its regular 19-minute newscast the following reports on the fighting in the republic.

From Brcko Hamiz Deronjic reports that "last night's fierce attack on the defense lines of the free territory of Brcko was accompanied by reinforcements being brought in for the Chetniks in the area of the northern corridor. The aggressor intensified the shelling of the defense lines late yesterday afternoon, when he shelled Bajici with 20 mines of 82-mm caliber. Later, they shelled Licki Most from the direction of Suljagica Sokak. This spread to Rijeke, and was supported by recoilless guns overnight." The enemy shelled Omerbegovaca using tank projectiles. Lipovaca was also shelled overnight. Further on he adds that "at 2100 [1900 GMT] they used 120-mm mortars to pound (?Vrenovaca), while civilian targets on Poljaci and Dugavice Donje were shelled with 82-mm mortars. Fierce small arms' fire was opened at Bajici at 0430 this morning. At the same time, the region of Brod was shelled from an antiaircraft gun. At around 0500 this morning, movements of enemy tanks were sighted in the occupied part of Suljagica Sokak." The correspondent adds that "at 2100 last night, a former Yugoslav People's Army helicopter landed at the Chetnik stronghold of Grbavica. NATO planes did not force it to land."

From the Maglaj News Center Hajrudin Sermic reports that "the suffering of the citizens of Maglaj continues. The city, the suburb of (?Lijesnica) and the Maglaj-Zenica road came under fierce artillery and tank fire all day yesterday. The Chetnkis have cut the city off completely, which means that no humanitarian aid can be supplied." He adds that "the citizens of Maglaj were disappointed by UNHCR spokesman Peter Kessler's reaction to the death of the Danish drivers, and they want to know why UN observers still haven't been deployed in this city, although this was promised earlier." The correspondent adds that "the fighters of the Bosnia-Herzegovina Army 201 Hill Brigade, assisted by the fighters of the Croatian Defense Council [HVO], are successfully defending the Maglaj free territory."

Reporting from Bosna Operative Group news center, Victor Boban reports that "the last 24 hours were not calm on the Rujnica front. The Chetniks intensified their attacks on the defense lines after 1400, using 82-mm mortars, portable rocket launchers, machine guns, and other small arms. The aggressor continues to bring in reinforcements in equipment and manpower. Heavy, armored, combat equipment and preparations for new attacks have also been sighted." Boban says that "overnight, sporadic provocations were registered on (?Smajdavci), (?Matuja), and Rujnica. This morning, antiaircraft machine guns and guns are targeting the Rujnica defense lines."

In Kladanj, Chetniks continue provoking using infantry and antiaircraft arms on most defense lines, the radio reports. Reporting from the 2d Corps Third Operative Group information center, the correspondent says that "on two occasions, at 1400 and 2000, Karadzic's servants used 82-mm mortars to shell our front defense lines. The defenders are holding their own and are not responding to the aggressor's increasingly fierce attacks." He adds that "the morning is calm in Kladanj, but there is some sporadic fire from antiaircraft arms and death sowers [M-84 machine gun] on the outskirts of the area."

Yesterday was relatively calm on the Gradacac front. The Information Center of the Gradacac War Presidency says that "the region of Medjidje Gornje, Jesenice, and [name indistinct] came under sporadic antiaircraft machine gun and antiaircraft gun fire." They add that "on the whole, the attacks were somewhat more intense than in recent days, while the fighters of our brigade and the soldiers from the ranks of the Second Corps units did not return fire. Last night was completely calm, and no significant movements of the aggressor's forces have been sighted. The morning is also calm, with only small arms' provocations east of Gradacac."

The studio announcer says that "the morning in Sarajevo is without significant enemy activity. The Stari Grad public security unit reports that two shells have landed on the outskirts of this municipality. A sower of death is active on Spicasta Stijena. The rest of the city is mostly calm, with the exception of Dobrinja where Chetnik sniper activity is more intense."

Reporting from Jablanica, Halid Dervisbegovic says that "the Bosnia-Herzegovina Army fighters were provoked on the Jablanica defense lines by the soldiers of the HVO, who used infantry weapons, while they sporadically opened fire from mortars and antiaircraft machine guns. They fired inflammable projectiles into the woods, thus setting it on fire." He adds that "the HVO once more pounded the villages in the Neretvica River valley with heavy howitzers. The night was calm in (?Ostozac). The morning is also calm."

'Chetniks' Kill 4 UNPROFOR Soldiers in Convoy Attack

AU0106193093

[Editorial Report] Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian at 1700 GMT on 1 June carries in its regular 38-minute newscast several reports on the fighting in the republic.

Reporting from Maglaj, Hajrudin Sermic says that "it has been another hellish day here. The Chetniks have been using tanks, howitzers, and guns throughout the day against civilian targets in the town. They hit a convoy with humanitarian aid, killing three members of the Danish battalion. Another died in the hospital."

The Information Center of the Second Corps Seven-South Operative Group reports that "it has been very

fierce on the free territories of Tesanj, Doboj, and Teslic. Heavy artillery from Mount Ozren has been pounding the inhabited areas and the defense lines. The aggressor's infantry attacks have been successfully repelled. The aggressor is bringing in new forces and tanks against the Doboj defenders and the 110th Brigade of the Croatian Defense Council Usora. Further destruction has again been inflicted on the town with howitzers from the direction of Stanovi."

In his report from Brcko, Hamiz Deronjic says that "the enemy is keeping the entire defense line of the free territory, from (?Dugave) to Dubravice Donje, under fierce small arms fire, while regrouping and reinforcing the northern corridor area." He said that "at 1340 [1140 GMT] the aggressor used 120-mm mortars against (?Dugave). The aggressor has not attempted any infantry breakthrough over the last 24 hours, but to judge by the size of the reinforcements that have arrived from Semberija, the aggressor intends more than merely to refill the gaps in his ranks after the latest losses he has suffered."

The Gradacac Information Center reports that "after the early morning attacks, the day has turned out relatively quiet. There have been sporadic small arms provocations in all the sectors of the front, but there have been no serious attacks. Stjepan Siber, deputy commander of the Supreme Command of the Bosnia-Herzegovina Army, visited the Gradacac front. He held talks with the representatives of the Command of the 107 Knight Brigade [viteska] and the Gradacac Commune, and was given a detailed briefing on the situation on this front. After visiting the house he was born in, the deputy commander visited the front line, and spend a long time talking to the fighters."

The Teocak News Center reports on a very poor line that "since the early morning hours, heavy small arms fire and antiaircraft guns and machine guns have been firing on the defense lines. Chetnik 82- mm mortars and recoilless guns later joined in, too."

According to Velid Djindo's report from Olovo, "the town has been pounded throughout the day with dozens of howitzer shells of the most destructive of calibers. The defense lines remain firm and unchanged."

Karadzic: UN Members Not Killed by Serbs

LD0106192993 Belgrade TANJUG Domestic Service in Serbo-Croatian 1912 GMT 1 Jun 93

[Text] Belgrade, 1 Jun (TANJUG)—Following statements by UN Protection Force representatives that three members of "the blue helmets" died today near a tunnel in Maglaj, Serbian republic President Radovan Karadzic told SRNA that any possibility of Serbian forces committing this murder must be ruled out. Radovan Karadzic says that Muslim radio and television in Sarajevo reported that today Muslim forces were opening fire around Maglaj and that they were successful. Radovan Karadzic, however, categorically denies that the Serbian forces carried out any offensive operations in this area today, SRNA concludes.

Muslims Attack Croatian Villages Near Konjic

LD0106162993 Belgrade TANJUG in English 1605 GMT 1 Jun 93

[Text] Trebinje, June 1 (TANJUG)—Moslems have been fiercely attacking the beseiged Croatian villages near Konjic, northern Herzegovina, since early Tuesday morning, the Konjic-based Bosnian Serb military command has said in a statement.

An ethnic war between the local Serbs, Croats and Moslems has been raging in Bosnia-Herzegovina for nearly fourteen months.

According to the statement, positions of the Bosnian Croat Army (HVO) were attacked by Moslem infantry and artillery.

The Zagreb-based Croatian Radio on Tuesday confirmed that heavy fighting between Moslems and Croats, erstwhile allies against Bosnian Serbs, was taking place in the Konjic area. The radio said that two HVO members were wounded and one killed in the clashes. It also said that hundreds of Moslems troops were wounded and dozens killed.

The Nevesinje-based Bosnian Serb military sources said that explosions and occasional machine-gun bursts were heard in Mostar, the centre of Herzegovina, on the night of May 31-June 1.

The Moslem-controlled Sarajevo Radio did not report of the clashes.

Mostar is much quieter than in the past few days, although Moslems opened fire in the sections of the town located on the right bank of the Neretva River several times during the night.

'Encouraging News' From Mostar, Konjic

AU0106200093

[Editorial Report] Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian at 1700 GMT on 1 June carries in its regular 38-minute newscast four reports on the current situation in central Bosnia and Herzegovina, where there have recently been clashes between the Bosnia-Herzegovina Army and the Croatian Defense Council [HVO].

The studio announcer announces the reports by saying that "encouraging news is arriving from Mostar and Konjic."

The Mostar News Center reports that "negotiating teams of the Bosnia-Herzegovina Army, the HVO, the Bosnia-Herzegovina Ministry of Internal Affairs, and the police of the Croatian community of Herzeg-Bosnia today continued the talks that were broken off four days ago on

the implementation of the Medjugorje agreement. Agreement was reached today on withdrawing forces to barracks, which should take a full 12 hours from 0800 [0600 GMT] until 2000 on the same day. Talks are to continue tomorrow for the first time on the left bank of the Neretva River, that is, on territory controlled by the Bosnia-Herzegovina Army. That is to be the practice in future, that talks are held one day on HVO-held territory and the next on Bosnia-Herzegovina Army territory."

Reporting from Konjic, Borka Rudic says that "even though the talks announced for today between Sefer Halilovic and Milivoj Petkovic have been postponed, talks have been held in Konjic on halting the clashes between the Bosnia-Herzegovina Army and the HVO, and for the return home of people evacuated. The representatives of the Bosnia-Herzegovina Army and the HVO from the Konjic region held talks in the presence of Captain Alfonso, commander of the Spanish UNPROFOR battalion, and Dr. Safet (?Suto), president of the Konjic War Presidency. The talks were held behind closed doors, but Dr. (?Suto) said afterwards that an agreement was signed on improving the situation following the clashes between the Bosnia-Herzegovina Army and the HVO in Konjic and Jablanica."

In his report from Zenica, Smajl Terzic says that "at 1450 today, four howitzer shells fired from HVO positions in the Travnik commune landed in the central part of the city. A general alarm was sounded, and it is still in force. There are as yet no further details about this attack."

Atif Agic reports from Gornji Vakuf on a very poor line that "a very tense peace hangs over the town. There are no open clashes between the Bosnia-Herzegovina Army and the HVO."

Muslim Democratic Party Wants Alliance With Croats

AU0206092193 Zagreb VJESNIK in Serbo-Croatian 25 May 93 pp 16, 17

[Interview with Armin Pohara, president of the Muslim Democratic Party of Bosnia-Herzegovina, by Andrej Rora; place and date not given: "We Offer Survival to the Muslim People"]

[Text] "We do not intend to argue with the SDA [Party of Democratic Action]," said Armin Pohara, president of the MDS [Muslim Democratic Party of Bosnia-Herzegovina], at the beginning, "because we think it is at the point of death and that it keeps losing the right to represent the Muslim people. It has been run over by time. Defending Bosnia from Zagreb, from comfortable armchairs, getting rich on humanitarian aid, and saying weak-mindedly that 'there will not be a war,' they allowed the people to be slaughtered in their sleep. If there is justice, certain individuals will be tried for high treason, or at least for criminal acts they have committed. The MDS, whose members were involved in direct fighting and were left, just like their people, without anything, certainly deserves to have full legitimacy. Anyway, we prepared immediately for the war against Serbia together with the Croats."

[Rora] What does the MDS offer to the Muslim people in distinction from the SDA?

[Pohara] We offer a formula for survival which simply says: complete unity with the Bosnia-Herzegovina Croats and with the Republic of Croatia. We are fully aware of who the aggressor is. We do not make the fatal mistake of seeing equality in the guilt of the Serbs and the Croats, and especially not the insane statement that two equally fascistic regimes are putting the life of Bosnia at stake. The Croats are our friends and brothers, we are united in the defense. Since our physical survival is at stake, the MDS is promoting an alliance of two sovereign states and their full geopolitical unity. It is beside the point whether that community will be called greater Bosnia or greater Croatia, just as long as it is not greater Serbia!

We also think that a clerical fundamentalist party like the SDA cannot prosper in this part of Europe, and that the Muslims as a nation must not see themselves only through Allah, through their religious segment.

[Rora] What does "full geopolitical unity" mean exactly?

[Pohara] We will advocate confederation between the Republics of Croatia and Bosnia-Herzegovina, and there is a possibility of closer ties in the future. At this crucial moment, we suggest establishing a joint Croatian-Muslim command of the Bosnia-Herzegovina Armed Forces. The MDS will demand that we be included in international and "tri-national" negotiations and that we are given equal status as the legitimate representative of the Muslim people. If Mr. Izetbegovic can include various Lazovices and Sibers in his delegations, it is, then, necessary that we also join in, since our message is much more clear and real. And I believe that the entire Muslim nation will soon be behind that message. There is a good possibility that a member of the Bosnia-Herzegovina Presidency, Fikret Abdic, will soon become our member. He has already expressed his agreement with the program and the goals of the MDS.

[Rora] Have you already negotiated with the officials of the Croatian Council of Defense in order to eliminate the causes of the Croat-Muslim conflict?

[Pohara] We have already spoken with President [of the Croatian community of Herceg-Bosna] Mate Boban about all significant aspects of establishing civil authorities based on the Vance-Owen plan. We are prepared to offer Muslim representatives who would enter into all administrative, police, and other bodies, thereby finally revitalizing the authorities of the provinces.

In the second phase, if we find a common language, Croatian and Muslim provinces would, in fact, no longer exist, but would make an integral whole in relation to the West and, of course, the Serbian aggressor.

[Rora] What about the stories about a unitarian, so called civic Bosnia-Herzegovina, about the Muslims as an alleged fundamental nation?

[Pohara] Talking about a unitarian state, the Muslim leaders have been spreading an intoxicating fragrance of delusion and drew quite a few people into the fiendish Yugoslav Army Intelligence Service Plan for Croatian-Muslim conflicts. They started to imitate the Serbs of the former Yugoslavia, thinking they will manage to impose their political will on the Croatian people, who realized, a long time ago, what was happening and what was going to happen in this area. Applying the Serbian method of dealing with the Croats showed that, perhaps, they are not the same people, but they certainly have the same spiritual roots, no matter what nationality they profess to be.

Muslim, Croat Commission Reconvenes; Muslims 'Warned'

LD0106220993 Zagreb Radio Croatia Network in Serbo-Croatian 2000 GMT 1 Jun 93

[Excerpt] Following several days of inactivity, a mixed Muslim-Croat commission went into session in Mostar today. They are tasked with implementing the Medjugorje agreement between General Petkovic and Sefer Halilovic. The talks were attended by Brigadier Miljenko Lazic, commander of the eastern Herzegovina mobilization area, and Arif Pasalic, commander of the Muslim forces in Herzegovina.

It was said that nothing has been done since the last meeting so the Muslim side was cautioned that no convoy carrying humanitarian aid for the Muslim areas of central Bosnia will be allowed to pass through unless the Muslims allow the delivery of humaniatrian aid to the besieged Croatian villages in the Konjic area. They were also warned that, in the event they do not allow this, the Croatian Defense Council will be forced to ask for humanitarian aid to be delivered via the Serbian side. [passage omitted]

Croats Threaten to Cooperate With Serbs

LD0106185993 Zagreb Radio Croatia Network in Serbo-Croatian 1700 GMT 1 Jun 93

[Report by correspondent Slavko Rako from Mostar]

[Excerpts] [Passage omitted] During a meeting of the Muslim-Croat commission, representatives of the Muslim army were told that humanitarian convoys will not be let through to Muslim villages in central Bosnia until humanitarian aid reaches the besieged Croatian villages in Konjic municipality, so that the Croatian Defense Council [HVO] is not forced to ask for aid to be delivered via the Serb side. [passage omitted]

The southeastern Herzegovina operational zone announced today that an exchange of bodies took place in the presence of representative of the HVO, the Serb side, the UN Protection Force, and European observers. The HVO handed over to the Serb side 12 bodies, and took over 12 bodies of defenders killed on the southern battlefield. There were no problems during the exchange.

Meeting of Commanders Postponed Due to Fighting

AU0106151493 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1000 GMT 1 Jun 93

[Text] Today's meeting between Sefer Halilovic, commander of the Bosnia-Herzegovina Army Headquarters, and Milivoj Petkovic, commander of the Croatian Defense Council's Supreme Command, has been canceled owing to the latest conflicts in Sarajevo and Mostar and the necessity to achieve an effective cease-fire in both cities. This was announced today at UN Protection Force [UNPROFOR] headquarters in Sarajevo.

The two army commanders will meet in the course of this week.

Croats Protest Distorted Media Coverage

LD0106221393 Zagreb Radio Croatia Network in Serbo-Croatian 2000 GMT 1 Jun 93

[Text] The Office of the president of the Croatian Community of Herceg-Bosna has lodged a very strong protest with Peter Kessler, spokesman of the UN High Commissioner for Refugees, over a statement on the situation in Mostar according to which ethnic cleansing of the Muslim population is being carried out there and 100 to 300 native inhabitants are being evacuated from the town every day.

We request and implore foreign correspondents, journalists, and representatives of international organizations to come to Mostar, Jablanica, Konjic, the Neretvica River valley, and central Bosnia to see the situation for themselves and, on the basis of clear and true facts, to perform their duty professionally.

As you can witness for yourselves, the areas controlled by the Croatian Defense Council [HVO] are not off limits to representatives of international organizations or foreign correspondents.

Muslim Official Views Introduction of Safe Zones

AU0206101993 Sarajevo OSLOBODJENJE in Serbo-Croatian 21-27 May 93 p 7

[Interview with Colonel Jovan Divjak, deputy chief of the Supreme Command of Bosnia-Herzegovina headquarters, by Vlado Mrkic and Sefko Hodzic; place and date not given: "Demilitarization Is Out of the Question"]

[Text] Colonel Jovan Divjak, deputy chief of the Supreme Command of Bosnia-Herzegovina headquarters and head of the delegation at the negotiations with the aggressor about establishing safe zones according to Resolution No. 821 of the Security Council, first answered the question regarding the negotiations at the Sarajevo airport and regarding the term safe zones itself.

[Divjak] That is the continuation of the talks that began by establishing safe zones for Srebrenica and Zepa, according to UN Resolution No. 824, which talks about special protection for towns and their surroundings. The Resolution demands that the paramilitary formations of the Bosnian Serbs withdraw from those safe zones to a distance from which it will be impossible to open fire on those towns. It starts from the premise that Bosnia-Herzegovina is a sovereign, undivided state, that it has a homogenous power over this territory, and that the Vance-Owen plan should be gradually realized. However, interpreting this Resolution, the aggressor starts from its positions and insists on the demilitarization of Sarajevo.

[OSLOBODJENJE] What is the difference between demilitarization and safe zones?

[Divjak] Demilitarization implies an area where there are no armed forces and where they should surrender their weapons, ammunition, and military equipment. The aggressor's demand required total surrender. In the agreement offered by the aggressor, they determine which forces should give up their weapons and when.

They demand that the Army, Ministry of Internal Affairs, police, Supreme Command, and even firefighters give up their weapons. This is an absurd game in which the aggressor is trying to stall for time. We think that one ca. only speak about safe zones, for there will not be talk about demilitarization for months. A safe zone includes the area between the present line of contact between the belligerent parties and the line to which the aggressor must withdraw its forces.

[OSLOBODJENJE] What is the distance?

[Divjak] In our proposal for the agreement, we demand that the infantry be one and one-half km away, tanks six to ten km, and artillery outside their range, depending on the caliber. The distance itself is not as important as the fact that the firing line of artillery and armored units be put under UN control. Between those two lines, the UNPROFOR should put observers, which would thus control every attack on Sarajevo or other towns, as foreseen by Resolution No. 824. After Sarajevo, there will be other talks on the establishment of safe zones in Tuzla, Bihac.... This is also one of the conditions for the demilitarization of those areas.

[OSLOBODJENJE] How would it look in practice? If the line of contact between the belligerent parties is on the Miljacka, in the city, does that mean that the aggressor should withdraw its forces to at least one and one-half km from the river?

[Divjak] Yes, exactly. It means that they should leave Vraca, Trebevic, the Jewish cemetery, etc. We are still discussing the principle of the matter. We did not talk about concrete details and maps. When it comes to that, we agreed that we will go street by street, building by building, and, in some places, it will be necessary to determine the division line within buildings.

The UNPROFOR made a proposal in which they demanded that both we and the enemy be removed one and one-half km from the dividing line. However, we cannot accept that and we insist that the aggressor should withdraw from the present line of contact, not we. That was arranged in Resolution No. 824: "the withdrawal of all military and paramilitary units of the Bosnian Serbs from those towns, to a distance where they would no longer constitute a threat to their security...."

[OSLOBODJENJE] What was the behavior of the aggressor at the negotiations?

[Divjak] They behaved arrogantly, like bullies and Chetniks. In their proposal for the agreement, they demanded demilitarization within the present line of the conflict in the city, that the division line be determined for each street, each building, that within that inner zone, in the city center, every military activity be forbidden, that every, as they say, military and paramilitary unit of the Ministry of Internal Affairs, civil defense, firefighter units within that zone surrender their ammunition to the UNPROFOR in "Marshal Tito," "Jusuf Dzonlic," "Viktor Bubanj," and other army barracks. The headquarters of the Supreme Command should, according to their proposal, give up their weapons in the Holiday Inn, and when everybody is disarmed, a commission consisting of three members should confirm that, and only General Mladic may enter the city armed, in order to make an inspection and see whether everything was arranged as they wanted.

Naturally, we labeled such proposals unacceptable, insane, and I suggest that it be left to the "surrealists" to comment on them.

[OSLOBODJENJE] What is the next step in negotiations?

[Divjak] The high UNPROFOR official who is running the negotiations between the two sides received our proposal and he will examine it.

[OSLOBODJENJE] What if the other side does not accept the agreement offered by our delegation?

[Divjak] Then the UN sanctions will come into effect. When we talked about Srebrenica and Zepa, General Morillon said that he has the authority to ask for the intervention of NATO air forces, and that the UNPROFOR has a different task for the time being, to use weapons, if necessary, to protect those zones in the area of Srebrenica and Zepa.

[OSLOBODJENJE] What does the establishment of safe zones mean for the inhabitants of Sarajevo? Does that mean lifting the blockade around the city?

[Divjak] Within the agreement, we demanded that a part "of the blue corridors" be established in these zones. The

Vance-Owen plan determines three corridors for Sarajevo, up to Mostar, Zenica, and Zvornik. Along these corridors under the control of the UNPROFOR, the flow of humanitarian aid, people, and goods can be undisturbed. We insist that these corridors be opened, we even expanded our demands requiring the opening of corridors toward Rogatica and Gorazde. We do not know whether that demand is quite realistic. The free flow of people from one side into another should be provided in the safe zones, but it seems to me that the process will not be realized so soon. Authorities that will determine relations in particular areas should also participate in that decision. As far as the Army is concerned, we think that it is important to separate forces and not to allow armed conflicts.

[OSLOBODJENJE] Does that signify the end of the war?

[Divjak] Absolutely not. It is just the first step. That this is not the end of the war is evident from the significant transfer of military potential onto the free area of Brcko, Celici, which proves the intention of the aggressor to conquer the territory and establish their authorities, and to try, later on, to settle relations between the three nations on the international level. The Bosnia-Herzegovina Army is determined not to allow the realization of such intentions and the occupation of those corridors.

[OSLOBODJENJE] Does their acceptance of safe zones mean that they are no longer interested in conquering Srebrenica, Zepa, and Sarajevo?

[Divjak] It is part of their game. The aggressors have continuously been doing something that confused the world. They kept Sarajevo under blockade. They were shelling it, attracting the world's attention, and, with their enormous technology, they were trying to occupy the territory piecemeal. Since they did not succeed in Zepa, Srebrenica, and Gorazde, they reduced the intensity of fighting, and since the world is becoming increasingly interested in this war, the aggressors transferred the focus of their activities to the conquest of the northern corridor. This justified our presupposition that signing the cease-fire was just stalling for time and a part of further intentions for the occupation of Bosnia- Herzegovina.

[OSLOBODJENJE] That means that the war is not drawing to a close.

[Divjak] That is the enemy propaganda and this could result in the passiveness of fighters on the front lines. There is talk about the demobilization of middle-aged people, etc. This is false information and we should not fall for it. The peace talks have only begun, the war will last for a long time, at least a year, if one is objective. Let me remind you that the war is still going on in Croatia, although it started there much earlier.

[OSLOBODJENJE] What is the present situation in Brcko?

[Divjak] Difficult. The aggressor used some 60 tanks, many pragas [heavy artillery], they strengthened their units. We have had many losses but that did not weaken our defense lines.

[OSLOBODJENJE] How do you explain the fact that, in some areas of Bosnia-Herzegovina, there are peace negotiations and in others heavy fighting?

[Divjak] Pressured by the Security Council, the enemy is looking for some solutions. All the time the negotiations were going on about Srebrenica, they expected to hear the news that they captured the town. When they realized that such a report was not coming, they signed the cease-fire. Srebrenica was not saved by negotiations but by our fighters. We did not save Zepa at the negotiations, we merely enabled the UN forces to go there. Zepa was saved by its defenders. The Security Council requested the introduction of safe zones and the aggressor must respect that. It is important to say that the Croatian Defense Council of Sarajevo participated in the negotiations for the first time and that we made a joint proposal for the agreement on safe zones.

[OSLOBODJENJE] What is your opinion about the conflict between the Croats and the Muslims?

[Divjak] The same as about the aggression from the east. As distinct from Karadzic, who announced that war, the Croatian side recognized the independent Bosnia-Herzegovina while concurrently creating a part of the territory that was supposed to be annexed to Croatia sooner or later. There are major differences between public declarations and practice. The conflicts in Mostar are becoming quieter, the town is controlled by the UN forces, but the situation is still very critical in Jablanica and Konjic, because there are not enough UN forces to separate the formations in the conflict.

RSK Government on Dismissal of Cosic

LD0106150493 Belgrade TANJUG Domestic Service in Serbo-Croatian 1354 GMT 1 Jun 93

[Text] Knin, 1 Jun (TANJUG)—In a statement issued today and carried by ISKRA [Krajina news agency], the government of the republic of Serb Krajina [RSK] in Croatia expresses hope that the dismissal of the President of the Federal Republic of Yugoslavia, Dobrica Cosic, will not have a negative impact on the unity of the Serb nation.

"The RSK Government has no right to judge whether or not the accusations against Cosic are justified, because this is an issue that concerns those who appointed him FRY president," the statement stresses. At the same time, the statement estimates that this event "will have a great impact on the future political scene not only in the FRY, but also in the whole of the Balkans."

President Tudjman Speaks on Current Issues

LD3005170793 Zagreb Radio Croatia Network in Serbo-Croatian 0916 GMT 30 May 93

[Address by President Franjo Tudjman at special National Assembly session in Zagreb to mark anniversary of Croatia's statehood—live]

[Excerpts] Respected presidents and officials of the Chamber of Deputies and Chamber of Counties, ladies and gentlemen deputies of both chambers of the Croatian State Assembly, respected guests and participants:

The third anniversary of Croatian statehood day marks a very short period of time. However, during this period of time, crucial and watershed events took place which will be recorded with gold letters in the entire history of the Croatian nation. [passage omitted]

We must still reckon with the fact that the struggle for the realization of full sovereignty on the entire Croatian territory, and also for the stability of a firm constitutional and legal order, will require fresh and continuous efforts and possibly sacrifices.

Today, Croatia is experiencing a difficult period stretched between war and peace, which, I hope, is not going to last long. It is a period in which we are dishonestly and unjustly being blamed for the consequences of policies pursued by other sides, and by world factors who did not understand, or were reluctant to come to conclusions necessary to curb the Yugo-communist and Serbo-Montenegrin aggression, first in Croatia and then in Bosnia-Herzegovina, which assumed characteristics of unprecedented barbaric destruction and genocidal ethnic cleansing threatening to escalate into a war to wider, even world proportions.

Instead of the making necessary decisions and taking effective steps to stop the Serb aggression in Croatia and Bosnia-Herzegovina, they condemned Croatia for standing behind the Croat-Muslim conflicts in Bosnia-Herzegovina and pursuing a hypocritical policy supporting the disintegration and division of Bosnia-Herzegovina. In order to justify old anti-Croatian stands and present pressure, the Croatian state authorities have also been accused of suppressing democracy in the country, not allowing freedom of public media, i.e. limiting the freedom of speech. Unfortunately, such accusations are not coming only from some international circles notorious for their aversion to Croatia, but also from some Croatian citizens. Those who are abusing the established Croatian democracy and take advantage of the anarchistic circumstances that arose in the wake of the collapse of the communist system and the horrors of war, freely and irresponsibly speak and write about anything to the detriment of their own country which is in a state of war; this is neither customary nor permitted in any kind of democracy.

Pointing at such phenomena, I should like to stress that we know quite well that we have not yet reached the desired level in the protection of rights and freedoms. However, nobody who is impartial can accuse us of not persistently trying and aspiring to build full democracy, despite the war situation.

This has been confirmed to us on numerous occasions by envoys of the Council of Europe, the European Parliament, and other international bodies, as well as by many delegations from the United States and other non-European countries.

Due to Croatia's alleged fault for the conflicts between Muslim and Croat units in Bosnia-Herzegovina, today we have found ourselves exposed to political, economic and financial pressure on the part of certain international factors, with a hypocritical demand for the alteration of our international and internal policies. This pressure is being openly expressed, to a lesser or greater extent, from subtle hints to open warnings. They have even announced the possibility of imposing sanctions against Croatia as well.

In reality, silent sanctions have been applied against Croatia for some time now. Thus, export of goods and access to international financial centres have been made more difficult. For instance, the realization of already granted loans has been procrastinated, and there has been a certain reduction in humanitarian aid for displaced persons and refugees. All this is taking place despite the UN General Assembly resolution of 1992 on international aid for the economic recovery of Croatia. I personally recently addressed the most prominent world statesmen, stressing that Croatia is not requesting, and is not expecting, anything other than what has been granted to other countries in transition to a new political and economic system, which have been lucky enough not to have been exposed to such devastation—for example, Poland, the Czech Republic, Slovakia, Hungary, and others. Croatia deserves this through its constructive contribution to the resolution of the crisis on the territory of the former Yugoslavia, while its unfavorable

treatment is in contrast to its vital interests as well as the long-term interests of creating preconditions for establishing a stable international order in this part of the world.

We have taken all possible steps to prove, through concrete arguments, that the accusations levelled against us are unrealistic, so it is absolutely unjustifiable to place the blame on Croatia for someone else's deeds and incapacity. There are many reasons why part of the blame for the failure of the international community so far to resolve the crisis in Bosnia-Herzegovina is being ascribed to Croatia. It seems that disagreements between the leading countries of the European Community, the United States, and Russia on the nature of the measures to be undertaken, especially regarding military intervention that should and could have checked Serbian aggression long ago, have resulted in a certain degree of resignation and unwillingness to undertake any kind of responsible action. Instead of this, there are attempts to accomplish something through a policy of containing conflicts to the territory of Bosnia-Herzegovina, by the closure of borders, the establishment of safe havens for Muslims, by sanctions and humanitarian aid. By doing this they are trying to evade responsibility for their own failure and ineffectiveness, as well as their ineptitude and hesitation, by claiming that the Serbian side is not the sole culprit, but that the Croatian side is also to blame.

Muslims are still being portrayed only as victims, but they were left to their own fate during the Serb aggression.

The idea and desire—which still exist—to create any form of new Yugo-community on the ruins of former Yugoslavia plays a role in attitude of some international factors toward Croatia. They are recommending the revival of Yugo-market or the creation of the single economic space which would benefit everyone. They are discreetly recommending as first steps the improvement in trade exchange, the creation of a monetary or a customs union, including a regional community which could lead to a Europe of regions. Unfortunately, some individuals from the domestic political scene are joining in this game.

Croatia is ready, for its own benefit, to normalize relations with all neighboring states created on the territory of former Yugoslavia, as well as with all other European and world states. As a precondition for this, Croatia demands unconditionally that those wanting cooperation recognize the sovereignty, independence, and territorial integrity of the Croatian state within its internationally recognized borders.

This presupposes above all an end to the aggression and all assistance to subversive and rebel activities against the constitutional and legal system of the Croatian state.

There can be no talk about any reintegration process on the territory of former Yugoslavia. Croatia has for far too long been a victim of various unifications and integrations for it to accept joining a fresh state or regional community. [loud applause]

Croatia is ready to normalize its relations with everyone on the basis of mutual recognition, the recognition of full equality regarding state and minorities interests, and readiness for peaceful cooperation in promoting international order.

Honorable deputies of the Croatian Assembly, let me say something more about our stand regarding the crisis in Bosnia-Herzegovina. In addition to all other tragic consequences, the Serb aggression against Bosnia-Herzegovina has also turned Bosnia-Herzegovina into the most complex crisis hot-spot in the world today. Considering that, for geo-political and strategic reasons, Croatia is vitally interested in the fate of Bosnia-Herzegovina, and that the solving of the Bosnia-Herzegovina crisis has a direct impact on Croatia's international relations and internal circumstances, it is necessary for me to comment in detail on the problem of the war and political crisis in Bosnia-Herzegovina. All the more so, because the alliance between Croats and Muslims in their joint resistance to the Serb aggressor has started falling apart over the past few months, and there have even been clashes between Croat and Muslim armed formations. I will therefore reiterate once again the basic guidelines of Croatia's state policy toward Bosnia-Herzegovina.

First, the Croatian state leadership and I personally recommended that the Croats in Bosnia-Herzegovina turn out at the [February 1992] referendum and vote for Bosnia-Herzegovina as a sovereign and independent state. [passage omitted]

We are profoundly convinced that the establishing of permanent and just peace in Bosnia-Herzegovina is a necessary precondition for a prosperous future not only in the territory of Bosnia-Herzegovina, but in this whole region of Europe. Moreover, the end of the war and crisis in Bosnia-Herzegovina has a direct influence on Croatia's economic revival, the redevelopment of tourism, and even on the final solving of the problem of the still occupied areas in Croatia.

On the other hand, we have for a long time witnessed the impotence, indecisiveness, disunity, and lack of understanding and aptitude to cope with the problem on the part of the international community—both major European states within the European Community, and the United States, Russia, and the United Nations. We have therefore invested great efforts and launched initiatives on our part within the framework of international diplomatic negotiations and other forums from Zagreb, Geneva, and Washington to the latest meetings in Split and Medjugorje held on 18 May.

It was at our recommendation that the representatives of the Croat nation in Bosnia-Herzegovina first accepted the Vance-Owen plan as the basis for the future set-up of Bosnia-Herzegovina. According to the plan, all three

nations will be guaranteed full equality and sovereignty at state level, and in provinces in which a nation has a majority. [passage omitted]

There were several reasons for the split in the alliance between the Muslims and Croats in the struggle against Serb aggression. Primarily, this was due to insufficient mutual trust. The Croats are weary of the Muslims' intentions to create an Islamic state disguised under the motto of a civic state, while the Muslims are afraid that the Croats want to integrate their areas into Croatia. Representatives of both sides have failed to fully appreciate the need for cooperation for strategic reasons. Finally, the armed clashes broke out because of extremist elements on both sides, and even more because of the scenario to provocatively cause the Muslim-Croat war conflict at the moment when the international community was to pass decisions on military intervention against the Serb aggression.

In this context, in the past months it was Muslim units which began the aggression against Croat villages and launched attacks on Croat units everywhere from Busovaca, Travnik, Zenica and [word indistinct] to Jablanica and Konjic, and attacks on Mostar where the political and military headquarters of the Croatian Defense Council is situated. There is evidence of earlier prepared plans for these actions; these moves can probably be explained in terms of the Muslims being unable to regain the territory captured by Serbs. An attempt to extend their territory at the expense of Croat areas has therefore been made, and even more precisely, to gain control in the territories in which population is mixed, but which were allocated to Croat provinces in the Vance-Owen plan. There is also evidence of activities among the Bosnia-Herzegovina Army command leading toward deliberate instigation of clashes with Croats in order to turn the attention of the international community away from the real problem of the Serb aggression and focus it on an alleged civil war for which everyone, and not only Serbs, should be blamed.

The Muslim-Croat clashes are certainly detrimental to both sides, although they are more so for the Muslims, and they are useful only for the Serb aggressor. Because of the anti-Croat campaign and the lack of understanding for the problem on the part of certain important international factors, the Muslim-Croat clashes could have resulted in consequences very detrimental for Croatia as well. We have therefore taken very resolute steps, within our power, to halt the clashes and remove the causes of possible future misunderstandings. [passage omitted]

Unfortunately, although this resulted in a lull and continuing negotiations, the clashes are still continuing sporadically, as we can hear on the news. In connection with this, I sent a message to Mr. Izetbegovic via the Bosnia-Herzegovina ambassador in Zagreb to meet again and see why this [Medjugorje] agreement is not being implemented.

Croatia for its part will continue doing everything it can to find a path to establish permanent peace and a just future internal set-up of Bosnia-Herzegovina acceptable to all three nations. This is particularly hard to imagine after all the horrors of war, terrible destruction, unprecedented ethnic cleansing, and accumulated hatred, but it is perhaps still possible if each nation is sovereign in the areas in which it has a majority because that would be a guarantee for survival of the remaining members of that nation in provinces in which they are in a minority.

If in their efforts to keep all occupied areas, the Serbs do not accept solutions offered by the Vance-Owen plan and the latest proposal put forward by the five ministers of Security Council members, the United States, Russia, Great Britain, France, and Spain, then it seems that there will be some sort of international intervention. Even if it were just limited in scope, it would have positive effects which would accelerate the final resolution of the crisis not just in Bosnia-Herzegovina but in the entire former Yugoslavia.

The fact that Mr. Izetbegovic rejected the Washington plan drawn up by the five ministers and called on the Muslim people to continue the war effort, which some Islamic countries are supporting, has made the crisis in Bosnia-Herzegovina more complex.

For its part, Croatia will continue to give its support to efforts to find ways to end the war and achieve a peaceful solution within the framework, if neccessary, of a modified Vance-Owen plan. [passage omitted]

Croatia will continue to provide, within its means, the maximum humanitarian assistance for all refugees from Bosnia-Herzegovina regardless of their nationality and religion. But it has the right to expect from the international community, and especially from Islamic countries, to get more in compensation than it has received so far.

Croatia has already issued a public statement saying that no units of the Croatian Army from the Republic of Croatia took part in the Muslim-Croat clashes in Mostar. It is regrettable that such accusations, which are very harmful for Croatia and which were denied by Government President Mile Akmadzci, were made by some individuals from the Muslim leadership and even on behalf of the Bosnia-Herzegovina government.

Croatia must be concerned about the fate of the Croat people in Bosnia-Herzegovina as a whole, and especially in areas where Croats were in the majority and where the demographic picture is now being altered due to the movement of refugees, which is causing mistrust, suspicion and conflicts. For instance, about 150,000 refugees, including 100,000 Muslims, have arrived in the Mostar and Travnik provinces from east and central Bosnia.

Finally, I think Croatia's state policy toward the crisis in Bosnia-Herzegovina must be pursued on existing foundations. Currently, the main European states—France, Great Britain, Germany, Italy, and Spain—as well as the

United States and Russia, each on its own and together within the EC and the United Nations, are pursuing their own realistic policies, without finding any other solution for the complex Bosnian crisis. In this situation, Croatia must conduct a realistic policy of protecting its strategic and state interests. These cannot be secured permanently without ensuring the survival of the Croat people and their territories in Bosnia-Herzegovina. Any other policy which does not take into account these interests and the specific international situation, could be catastrophic for the Republic of Croatia itself.

Ladies and gentlemen, I will now deal with the problem of how to regain areas under the protection of the peace-keeping forces and of resolving the Serbian question in Croatia. [passage omitted]

The UN secretary general says that in the current situation, the UN Protection Force [UNPROFOR] is unable to fulfill its mandate in Croatia, and he proposes the following options:

1. To proclaim the mandate as unenforceable and to withdraw the UNPROFOR units;

2. To accept Croatia'a views and to approve a strengthened mandate, which would enable the imposition of the peace plan;

3. To leave the UNPROFOR where it is with an unchanged mandate and to strengthen its military capacity to a limited degree.

Regarding these proposals, we clearly stress that Croatia cannot accept any solution which would reflect the current status quo or would freeze the current situation. [passage omitted]

In line with its democratic and peace-loving policies, Croatia proposes to the UN Security Council that the UNPROFOR mandate be extended by six months, but only on condition that UNPROFOR ensures the implementation of the Vance plan, the disbanding of the Serb paramilitary formations, the control of borders, and the return of displaced people. All this presupposes a general transport and economic normalization and the establishment of the Croatian constitutional and legal system over the entire Croatian territory.

This means that we are not ready to approve the extension of the current UNPROFOR mandate, which does not empower it to implement the Vance plan. [applause] [passage omitted]

Recalling that we have adopted the law on amnesty for those who did not stain their hands with blood, we must clearly state that we will hold those continuing to pursue their extreme policies [words indistinct] and those who are using force to sabotage a peaceful solution accountable in court for all the consequences. [applause]

The fact that the Security Council has established a war crimes tribunal should be a sufficient warning to everyone.

It is realistic to expect that conditions for a gradual and final reintegration of the protected areas with Croatia will be created in the next few months. Namely, as soon as the international community starts to patrol the borders in line with a decision on Bosnia- Herzegovina, not only weapons and volunteers but also mobilized people will not be able to come from Serbia. When there is an end to such deliveries to Krajina, then Serbs in Croatia will have to come to their senses and realize that the normalization of relations within the framework of sovereign Croatia should be accepted.

It can be expected that the Vance plan on the reintegration of the protected areas into the entire Croatian system will be implemented in a peaceful way and with the help of the peace-keeping forces. Clearly, if this is not possible, then—as any other state—we will use all means to reestablish the constitutional and legal system, because no state can tolerate a permanent rebellion on its territory. [applause]

Croatia's democratic authorities have not just the right but also the duty to establish the constitutional and legal system and to ensure the safety of all its citizens on its entire internationally recognized state territory. [passage omitted]

In developing the new territorial system of division into counties], we must prevent all intentions to turn counties into means of reviving the spirit of autonomy and of regional division of Croatia, which is defined as single and indivisible by the first article of the constitution.

Although we should not pay too much attention to teething troubles, we should also spot the signs of phenomena which could have a disintegrating effect on some units or even on the entire state.

In connection with this, I would like to draw your attention to the fact that some individuals in Istria interpreted the results of the county elections as if the time had come to work—I quote—on the concept of a specific Istrian nation.

When considering requests for redrawing county and district borders, all valid requests should be endorsed, but not those activated by personal or hidden political motives. [passage omitted]

The creation and defense of the independent and sovereign state of Croatia, and the fact that the Croatian people regained their self-awareness and dignity have unleashed the long-suppressed powerful energy and creative potentials of the Croatian people and all citizens of Croatia. Our confirmed readiness for sacrifices and self-denial, and the unity of all classes and generations of Croats in their homeland and abroad, aimed at creating and building their free state, are a firm guarantee that, despite all obstacles, we will achieve a Croatian economic revival and succeed in all the tasks facing us.

Respected deputies of the Croatian state Assembly, with that hope and in that spirit all Croats in their homeland

and abroad and all citizens of the state of Croatia can celebrate their holiday today, Croatian statehood day. Thank you. [applause]

Security Council on Relations With Slovenia

LD0106173493 Zagreb Radio Croatia Network in Serbo-Croatian 1500 GMT 1 Jun 93

[Excerpt] The 11th session of the Defense and National Security Council, chaired by Republic of Croatia President Dr. Franjo Tudjman, was held at the Presidential Palace in Zagreb today.

Discussing relations between the Republic of Croatia and the Republic of Italy, the council concluded that these are developing successfully, despite certain difficulties and misunderstandings. The Republic of Croatia will respect all previously signed international agreements and accords relevant to it as one of the successors of the former Yugoslavia, which concern the regulation of relations with Italy. Despite the financial difficulties it is facing, Croatia will fulfill all the obligations stemming from these agreements; this is also expected from Italy.

Discussing interstate relations with Slovenia, the council obligated the government to accelerate the preparation of the interstate agreement on friendship and cooperation, agreed on by top-level officials of both countries during President Tudjman's visit to Slovenia, which supports the stand that neither Croatia nor Slovenia have territorial ambitions toward each other. The council agreed to speed up the work of Slovene and Croatian experts on the determination of the boundary in the Bay of Piran in the spirit of good-neighborly relations.

Until a final decision is reached on the border between the two countries, Croatia is ready to comply with legal regulations in the Bay of Piran and the sea. Thus, it will respect the interests of the Republic of Slovenia and guarantee a more liberal nautical regime to Slovene ships sailing through Croatian territorial waters en route to the open sea, while requesting similar concessions regarding overland traffic from Zagreb to Sentilj. At the same time, Croatia is ready to reach agreement with the Republic of Slovenia on the joint protection and preservation of the maritime environment, especially in the Bay of Piran, and to conclude agreements on economic cooperation.

It is proposed that the Croatian government reach agreement with the Slovene government as soon as possible on a system of police and customs control in the Bay of Piran that would facilitate the circulation of tourists in that region. The government should also accelerate the conclusion of a Croatian-Slovene agreement on the founding and competences of a mixed diplomatic commission for borders. [passage omitted]

Trial of Right-Wing Party Leaders Resumes

LD0106160893 Zagreb Radio Croatia Network in Serbo-Croatian 1300 GMT 1 Jun 93

[Text] The trial of Ante Paraga, Ante Djapic, Mile Dedakovic, and Ante Prkacin [leaders of Croatian Party of Rights] has resumed before the military court in Zagreb. They have been charged by the military state prosecutor with the criminal act of inciting forceful change of the constitutional order of the Republic of Croatia and terrorism. The trial was interrupted on 13 April because of the absence of the first defendant Paraga, who was in the United States at that time.

Prior to the beginning of the trial today, Paraga and Djapic were handed a Supreme Court ruling on the withdrawal of their travel documents. The chairman of the court council then asked Paraga to surrender his travel document, to which the latter replied that he would not do so, nor would he say where his travel document is.

Paraga then received a bill on indictment, at which his lawyer Zvonimir Hodak requested the adjournment of the trial so that Paraga should have enough time to prepare his defense.

The second reason for the adjournment is today's session of the assembly to which Paraga and Djapic are deputies. The third reason is a challenge of prosecution lawyer Mirsad Baksic.

Right-Wing Parties Form Coalition

93BA1052C Ljubljana DELO in Slovene 22 May 93 p 2

[Article by Matjaz Erznoznik: "Alliance of Those Who Did Not Want To Merge With the Slovene Christian Democrats"]

[Text] *The recently formed Slovene National-Social Liberal Bloc is the inception of a coalition of right-wing parties.*

Ljubljana, 21 May—The liberal parties, the independent deputies' group, and some of the former National Democrats who opposed the alliance with the SKD [Slovene Christian Democrats] and established the National Party, are linked by common goals. It will be easiest for them to realize their related program orientations in a close alliance. That is why they recently formed the Slovene National-Social Liberal Bloc, Kranj Liberal president Franc Golija said at today's news conference.

He emphasized that the bloc was the inception of a coalition of right-wing parties that would act under the name of the United Right Wing of Slovenia in the next elections in an alliance with the People's Party. Its basic goals will be solving social, economic, and national problems, and showing the real truths of Slovene politics. According to the Liberals' secretary, Danijel Malensek, the parties in the bloc are to preserve their independence, and in addition to the alliance with the SLS [Slovene People's Party] they are also to seek allies among other opposition parties. They will primarily advocate cooperation with Bavcar's Democrats, Gosnik's Greens, and Jansa's Social Democrats. The priority task is to overthrow black-red rule even in the local elections, Malensek said.

The bloc's formation fits into the People's Party's vision, and consequently the bloc will provide support for the SLS and vice versa, Janez Podobnik thought. Dr. Franc Zagozen also expressed the hope that the right-wing coalition that will emerge from the bloc will succeed in social transformation and economic renewal.

The newly established National Part of Slovenia was represented by Branc Presern. He emphasized that the party is a legitimate successor to the Slovene Democratic Alliance and the National Democratic Party that emerged from it. With healthy patriotism, it will fight to protect and strengthen Slovene national awareness and the interests of our people, Presern said.

Three Leftist Parties Sign Unification Accord

93BA1052D Ljubljana DELO in Slovene 22 May 93 p 2

[Article by Jana Taskar: "Agreement on Merger Into a New Slovene Party"]

[Text] *The new party is to be called the United List of Social Democrats; a modern left wing.*

Ljubljana, 21 May—The presidents of the Workers Party of Slovenia, the Social Democratic Union of Slovenia, and the Party of Democratic Reform of Slovenia, Vlado Rancigaj, Dr. Rado Bohinc, and Peter Bekel, signed an agreement today on forming a new party, which, if the proposal is accepted, will be named the United List of Social Democrats.

The unification congress of all three parties, which will also be joined by the groups of the Socialists (six to eight municipal committees and individual members of the SSS [Socialist Party of Slovenia] and the Seniors, will be next Saturday, on 29 May, in the Linhart hall at Cankar House. The candidate for president of the new party is M.A. Janez Kocijancic.

At the press conference on this occasion they said that the signing of the agreement on the merger was accepted unanimously by all three parties. The merger is also interesting for the parties of the modern European left wing, and consequently extensive attendance at the congress has already been announced.

The three heads of the merging parties are convinced that a successful path awaits the new party, and that it will be a progressive and democratic force that will no longer be burdened with unproductive criticism of the past—specifically, the new party will not be the successor of any of the three former parties. Another guarantee of its flourishing will be internal democracy, since the party's council will be able to use a delaying veto to block political decisions by the presidency. The new party, which will unite all social strata, people with knowledge and creativity, is to stimulate all of that and thus also raise the level of self-awareness.

The merger, which is supposed to strengthen the position of the United List in the ruling coalition, and thus also the coalition, is therefore also important because of the stabilization of political life and its greater clarity. The new party is also to be joined by the Socialists, Social Democrats, and the Christian Socialists.

Federal

Violent Clash at Protest; Draskovic Arrested, Injured

SPO Report

AU0206101493 Paris AFP in English 0950 GMT 2 Jun 93

[Text] Belgrade, June 2 (AFP)—A policeman was killed and an opposition leader seriously injured overnight during violent clashes between police and thousands of demonstrators protesting the sacking of Yugoslav President Dobrica Cosic, officials said Wednesday.

The 24-year-old policeman who died in hospital was injured as police used tear gas and clubs to disperse demonstrators who had massed outside the parliament building in Belgrade.

Vuk Draskovic, head of the opposition Serbian Renewal Movement (SPO) who had led chanting protestors through the city streets, was arrested after the march and "seriously" wounded in the head by police, SPO general secretary Vladimir Gajic told AFP.

He said the injuries were inflicted by police during and after Draskovic's arrest.

Draskovic was rushed to Belgrade hospital early Wednesday under a heavy police escort, according to Gajic who said he would be placed under arrest again after treatment.

An SPO official said another demonstration planned for 11 a.m. (0900 GMT) outside the Yugoslav parliament was called off due to Draskovic's arrest.

Police were out in force Wednesday around the radio-television headquarters, though the armored vehicles that had taken up position around the federal parliament were gone and only a few dozen police were posted outside the building.

The police deployed in other parts of the city Tuesday night had also been removed.

The Tanjug news agency, quoting a Belgrade hospital physician, said 32 people, including 16 policemen, were hospitalised Tuesday evening with eight of them suffering from bullet wounds. It was unclear whether the policeman who died suffered a bullet wound.

All of the injured were released Wednesday except for four who were listed in serious condition and the policeman who died.

A police communique, quoted by Tanjug, said 1,500 supporters of the SPO, one of the main opposition parties in Serbia, had tried to "force their way" into the parliament building "using firearms." It said three policemen had been shot and wounded. Authorities also reported 120 arrests.

Draskovic and several members and deputies of his party were seized by heavily armed police who burst into SPO headquarters and took them away, an SPO member of parliament, Radenko Rokovic, told the independent television channel Studio B.

He said police cars whisked away the SPO leaders, "probably" taking them to police headquarters, and that police had told deputies who had invoked their parliamentary immunity that it was "worthless tonight."

Rokovic said he and several other SPO deputies in the Serbian parliament were being guarded by police at the party headquarters.

The demonstrators who massed outside parliament Tuesday evening were protesting Cosic's ouster by parliament the previous night.

His dismissal on charges of violating the constitution is widely believed to have been engineered by hardline Serbian President Slobodan Milosevic and the ultra-nationalist Serbian Radical Party (SRS).

Draskovic called the demonstration after an SPO deputy was seriously wounded by an SRS counterpart.

Questioned by reporters, Draskovic stressed the demonstration had not been planned.

"It is a spontaneous movement of revolt against the fascist forces that are threatening Serbia," he said.

Tuesday's protest was the first violent demonstration against the Milosevic regime since March 9, 1991, when a policeman and a teenager were killed and scores injured.

Then too, Draskovic was taken into custody accused of having organised the demonstration to bring down the Serbian leader. His arrest triggered further rioting and he was released the next day.

Also Wednesday an explosion took place at the Bulgarian Embassy in Belgrade without causing any damage or injuries, Bulgarian officials in Sofia said.

They said the explosion took place in the embassy courtyard.

Events Preceding Clash

LD0106201093 Belgrade TANJUG Domestic Service in Serbo-Croatian 1934 GMT 1 Jun 93

[Text] Belgrade, 1 Jun (TANJUG)—According to a free estimate, about 2,000 people have gathered before the federal parliament building and in the section of Revolucija Boulevard between Nikola Pasalic Square and Knez Milos Street. They have come to protest against the incident in the federal assembly in which Mihailo Markovic, a Serbian Democratic Movement [DEPOS] deputy, was hurt.

Traffic has been interrupted in that section of the Boulevard. Citizens have gathered in groups and are discussing the unfortunate event. Most of them are sitting on the steps leading to the federal assembly.

A group of young demonstrators removed a Yugoslav flag and ripped it to pieces. This was dutifully recorded by television cameras. Some young demonstrators tore the flag into bands and put them around their heads.

The people greeted with applause a group of Montenegrin deputies who left the federal parliament building. A flag with a picture of Draza Mihailovic [Chetnik leader during World War II] and the inscription "Ravna Gora Must Win" [Ravna Gora was Chetnik headquarters during World War II] was brought out and followed by songs "From Topola to Ravna Gora" and "Get Ready, Chetniks."

Vuk Draskovic, leader of the Serbian Renewal Movement [SPO], arrived shortly after 2030, but he did not address the people because there were no loudspeakers. Talking to a reporter of the Independent Television, Studio B, he called on the residents of Belgrade to join the protest.

Ministry Statement

AU0206083893 Belgrade Radio Beograd Network in Serbo-Croatian 0700 GMT 2 Jun 93

[Text] On the occasion of the events that happened in front of the Federal Assembly yesterday evening and the demonstrations in the Belgrade streets last night, the Ministry of Internal Affairs of Serbia has issued a public announcement that we carry in full:

As the public has already been told, on 1 June 1993 at about 1830, [1630 GMT] in front of the Federal Assembly building, public peace and order begun to be violated to a large extent. A group of about 1,500 aggressive offenders organized by the Serbian Renewal Movement and headed by Vuk Draskovic, attempted a forceful breakthrough into the Federal Assembly building and in doing so used firearms. During this forceful break into the Federal Assembly building, Vuk Draskovic physically attacked Ilija Djuric, member of the Ministry of Internal Affairs of the Republic of Serbia and inflicted serious bodily harm to him, as a result of which Djuric was carried unconscious to the first aid center where he was hospitalized.

The unrests spread to the streets of Bulevar Revolucije, Knez Milos Street, the Srpskih Vladara Street, Kolarceva, Makedonska, Lole Ribara, and Takovska Street. In front of the Television building in the Takovska Street, the offenders hurled stones at militiamen, broke several windows, and lightly injured one militiaman.

At about 2240, the offenders used firearms in front of the Federal Assembly building and attacked militiamen with various objects. Three militiamen were seriously wounded and the life of one of them is in danger. Material damage was caused to the Federal Assembly building.

This attempt to forcefully break into the Federal Assembly building also failed because militiamen repulsed the attack. The acts of violating peace and order were continued by individual groups of people in the nearby streets.

At 0130, the organs of the Ministry of Internal Affairs of the Republic of Serbia established public peace and order, the announcement says. By 0200, 121 persons who took part in these serious violations of public peace and order were detained in the rooms of the Secretariat of Internal Affairs of Belgrade. Vuk Draskovic, the main initiator and participant, was among them. A procedure of establishing criminal and misdemeanor responsibility is being carried out against all these persons.

During this destructive unrest, 12 offenders and 14 militiamen were injured, it is said in the announcement of the Ministry of Internal Affairs of the Republic of Serbia.

TANJUG Report

LD0206025893 Belgrade TANJUG in English 0019 GMT 2 Jun 93

[Text] Belgrade, June 1 (TANJUG)—Protests outside the Yugoslav Parliament and in the streets surrounding it in downtown Belgrade ended late on Tuesday night.

The crowd of several thousand people was dispersed and the traffic was restored.

The protest, triggered by an incident in the federal parliament earlier in the day in which an opposition deputy was hurt, culminated at about 22:30 local time, when demonstrators attempted to break into the federal parliament building, throwing stones on riot police who tried to stop them. The police then retreated into the building and used tear gas to scatter the crowd.

Several people were injured in the ensuing melee and reporters on the scene of the protest said they heard shots. The city medical centre said [word indistinct] persons sought medical help, mostly for minor injuries.

The Serbian Interior Ministry said that "three policemen were wounded by firearms" in the demonstrations outside the federal parliament. "A group of about 1,500 aggressive rioters led by the Serbian Renewal Movement attempted to break in the federal parliament building at about 22:30 hours local time, using firearms in the process," a statement released by the Ministry said.

The Serbian Interior Ministry has taken energetic measures to restore order and arrest the persons responsible for the armed attack on police, the statement added.

Assembly Session Canceled

AU0206085893 Belgrade Radio Beograd Network in Serbo-Croatian 0800 GMT 2 Jun 93

[Text] The joint session of the two assembly chambers, which, according to plans yesterday, was supposed to continue today and discuss the foreign policy of Yugoslavia, has been called off. The reason for this is the incident that took place yesterday in the Assembly building and in front of the building. Reporters were not allowed to enter the building. Only two television crews were allowed to film the situation following last night's demonstrations, during which the Assembly building was partly demolished.

Inquiry Announced

AU0206114293 Belgrade Radio Beograd Network in Serbo-Croatian 1100 GMT 2 Jun 93

[Text] The joint session of the two Federal Assembly chambers, which was interrupted by the incident in which Depos deputy Mihajlo Markovic was injured, should resume at any minute. Our correspondent Dragan Mihovic reports from the Federal Assembly:

[Mihovic] The announced session opened a few minutes ago. However, it did not last more than two minutes. Radoman Bozovic, chairman of the Chamber of Citizens, called on the deputies to pay their respects to Milorad Nikolic, the policeman who lost his life last night, and then read out the list of members of the Inquiry Commission [into the 1 June incident]. Radoman Bozovic briefly reported on the commission's work and then concluded the session. Therefore, the session of the two Yugoslav Assembly chambers has concluded.

Party Leaders' Reaction to Cosic Dismissal

LD0106201893 Belgrade TANJUG in English 1910 GMT 1 Jun 93

[Text] Belgrade, June 1 (TANJUG)—The leaders of the Socialist Party of Serbia and the Serbian Radical Party said on Tuesday that the ousting of president of the Federal Republic of Yugoslavia Dobrica Cosic, which these parties initiated in the federal parliament, had been inevitable, while leaders of other parliamentary and non-parliamentary parties generally condemn this act.

Both chambers of the Yugoslav federal parliament—the Chamber of Cizizens and the Chamber of Republics—voted no-confidence in the president of the Federal Republic of Yugoslavia in the night between Monday and Tuesday.

Both chambers previously ascertained by majority vote that Cosic violated the Federal Constitution by his actions or lack of actions.

Nedeljko Sipovac, head of the Socialist Party's parliamentary group which is the most numerous both in the federal and the Serbian parliament, said on Tuesday that his group had tried to solve the disagreements with Cosic on several occasions through discussions and in direct contacts.

"We believed that Cosic would amend his actions and conform to the Federal Constitution and his authorities, but it was impossible to pass over the statements that he made during his talks with the Yugoslav military leadership," said Sipovac.

The contents of these talks have not been made public.

The Serbian radical leader told TANJUG: "I am truly sorry that this has happened, but it could not have been avoided."

Cosic had to be relieved of his duties because "he drastically violated the Federal Constitution, causing great political damage to the state and to the people," said Seselj, whose party is the second biggest both in the federal and the Serbian parliament.

President Cosic's special advisor Svetozar Stojanovic resigned to this office on Tuesday, the Yugoslav president's cabinet told TANJUG.

Stojanovic, a renowned professor of philosophy and former dissident, will formally offer his resignation to the speaker of the Chamber of Republics Milos Radulovic who is now acting president of the Yugoslav state.

Cosic's removal from office is a tragic move with unpredictable consequences, said Dragoljub Micunovic, president of the Democratic Party.

Speaking at a press conference, the leader of the Democratic Party, whose parliamentary members opposed the motion to dismiss the president, said that "the event marks a watershed after which things will be brought out in [words indistinct] power is being narrowed down, both in Serbia and in Yugoslavia."

It is now definitely clear that the Socialist Party of Serbia and the Serbian Radical Party are implementing the same policy "with precisely divided roles" said Mirko Jovic, president of the Serbian National Renewal which is not represented in the federal parliament.

"Vojislav Seselj and the radicals keep attacking federal offices and institutions in an attempt to cover up the disastrous results of the national, state, economic and social policies of Serbian President Slobodan Milosevic and his several socialist governments," said Jovic.

Acting Federal President Radulovic Interviewed

AU0106200293 Belgrade RTB Television Network in Serbo-Croatian 1730 GMT 1 Jun 93

["Exclusive" interview with Milos Radulovic, chairman of the Chamber of Republics of the Federal Assembly and acting president of the Federal Republic of Yugoslavia, by Sonja Djuric in Belgrade on 1 June—recorded]

[Text] [Djuric] Have you acquainted yourself with the new duties that you will have according to the Constitution, considering that Dobrica Cosic, president of the FRY, was relieved of his post last night?

[Radulovic] If you are referring to the duties that are defined by the Constitution, I knew them before. If you are referring to some details that are very important for performing this function, then I do not know enough about them. I hope that during my first meeting with Mr. Cosic I will be briefed on everything in more detail.

[Djuric] When (?will you) take over the duty and how will this look like in practice? What does the Constitution and legal norms say about that?

[Radulovic] The Constitution and the Law on Election and Dismissal of the President of the Republic are not very specific about many things. Considering that we are encountering this for the first time, we will have to find some solution that will be based on the Constitution and law.

[Djuric] How do you feel personally?

[Radulovic] I personally could have done without this additional burden.

[Djuric] Will you remain in the Chamber of Republics as chairman?

[Radulovic] Yes. The Constitution states that in case of early cessation of the term of office of the president of the Federal Republic, this duty would be performed by the chairman of the Chamber of Republics until the election of a new president, regardless of who the chairman is.

[Djuric] Is there any agreement on how long this period of having an acting president of Yugoslavia will last?

[Radulovic] According to the Law on Election and Dismissal of the president of the Federal Republic, the president should be elected within 30 days. I hope that we will not need that much time to elect a new president of the Federal Republic of Yugoslavia.

[Djuric] Which republic should produce the president?

[Radulovic] I cannot answer this question. This will be resolved by others, respecting, of course, the basic constitutional provision that the president and the prime minister cannot be from the same federal unit at the same time.

[Djuric] Thank you, Mr. Radulovic.

[Radulovic] Thank you.

Corridor Offered to Serbs Denounced

93BA1045C Banja Luka GLAS SRPSKI in Serbo-Croatian 29 Apr 93 p 2

[Article by Dusan Drazic: "Bombardment Does Not Bring Peace"]

[Text] The corridor with Serbia that was offered seemed like the transplantation of an artificial respiration organ into a healthy body. Lord Owen, who mediated in that, was more similar to the stone-faced German generals who drew similar lines on the Bosnian map in the past.

"Unceasing ultimatums, threats of bombardment, and additional sanctions are not the beginning of peace, but rather germs that intensify and inflame the war, but instead of quarreling over who is to blame for this new disaster into which we have fallen, the most important thing is to sign an internal peace among the Serbian people and continue the negotiations."

This was stated yesterday by Academician Dr. Milorad Ekmecic in an interview with TANJUG journalist Dusan Drazic, in connection with the latest Security Council sanctions and the consequences of the decisions by the "Bijeljina Assembly."

"The main consequence of the refusal by the National Assembly of Bosnian Serbs to accept the country's cantonization into 10 semiautonomous regions is increased division among the Serbian people as a whole. Although it is obvious that a majority of the Serbian people today approves of that refusal to sign, the division of the people is more apparent today than ever before since the beginning of the Yugoslav crisis. It is not only a division between one side of the Drina river and the other, but rather above all a division of the people in the Republic of Yugoslavia [as published].

"Contrary to the profound traditions in Montenegro, the leadership there is now bolder in breaking faith than before, while there was no apparent justification, and in Belgrade the radical opposition is becoming the center of a new unification," Academician Ekmecic said.

"Whether we liked these changes or not, historically events have always had greater strength than the will of the people who participated them. The members of the Bosnian Assembly did not have much choice. It is absurd to believe that they would remain in their places to vote unanimously for the acceptance of the peace plan that was offered. They were offered a fragmented Bosnia under Muslim leadership, and they were given the feigned concession that certain territories did not have to be occupied by the Muslim army immediately, by rather by UN troops.

"The corridor with Serbia that was offered seemed like the transplantation of an artificial respiration organ into a healthy body. Lord Owen, who mediated in that, was more similar to the stone-faced German generals who drew similar lines on the Bosnian map in the past.

"Everything was happening too rapidly and extensively, without the right to a respite and without any thought about alleviating the media witch hunt against the Serbian national goals. The lord's attempt to still the war was the cause for new conflagrations," Ekmecic emphasized.

"The headlong speed with which this was done came from fear of events in Russia, before the referendum on the presidential values of Boris Yeltsin, and was obviously imposed by the need to preserve Russian cooperation in settling the Yugoslav crisis, as it started a long time ago.

"Now that the referendum has ensured that cooperation, at least for a certain foreseeable period, the outside world will not care about the Serbian disagreements on both sides of their geographic and political rivers, but will rather exert much more pressure than before, all together. Now they will slowly start to demand that the Belgrade governments impose sanctions on the Bosnian border, or else there will be bombardment; they will demand that the Bosnian Serbs repent—or else there will be bombardment. They will demand that we all keep our mouths shut, or else they will bomb us mercilessly, from the sky that has been theirs for a long time."

If that actually happened, it would not still the war in Bosnia, Ekmecic thought. "The bombardment of Serbian cannons will force them to move closer to the Muslim cities, and the possible collapse of the present military organization will open the door to classic guerrilla warfare.

"Then what happened to the French in Vietnam after 1945 will happen; they would need a long time to discover that a guerrilla war is commanded by one gray man by the light of a dark lantern. In that guerrilla war, time will not run in Geneva, or time in New York.

"European diplomats," Ekmecic continued, "will not have anyone to vent their sadism on, and peace will have to be achieved by moving the population in individual efforts from village to village.

"The beginning of the future peace, in order to have a sound basis, must be willingness actually to do something in favor of the Serbs. They want their national unification with their national brethren in Serbia and Montenegro. The offers of small changes, along the lines that UN soldiers instead of Muslim ones will temporarily occupy some of their areas, only seem like a refinement of the old violence. Unceasing ultimatums, threats of bombardment, and additional sanctions are not the beginning of peace, but rather germs that intensify and inflame the war."

Ekmecic stressed, "Instead of quarreling over who is to blame for this new disaster into which we have fallen, the most important thing today is for us to sign an internal peace among the Serbian people. For too long now we have negotiated behind closed doors among an invited group," our well-known historian felt. "The time has come for us to state our goals publicly in the only worthy place that has been designated for that by history—at a session of representatives from all four Serbian parliaments. Officials from Montenegro should not be persuaded much, because even without them, the Serbian people will be well-represented there. It will come. Regarding their food and raiment. Before we reach an agreement with European emissaries on the conditions for our suicide, we have to create such an agreement among ourselves. There would not have been so much agony if we had not hesitated so much in convening our parliaments.

"The ultimatums that are being imposed upon us from day to day will not help even those who are bringing them to us, just as they will not offer us the right remedy. The negotiations have to be continued, and in them we have to seek a respite from the aggressive efforts by Europe and the United States to measure the strength of their violence against us. In the end, not even they will benefit much from that. These days I am therefore reminded of a picture from my school days long ago, of Tolstoy's novel 'Hadzi Murat,' when he compared an uprising in Checheniya in 1851 with the toughness of a thorny flower that he wanted to pick in a field.

"We can be beaten and forced into a humiliating surrender. But do those who are making an effort to tear up our wild flower really think that they will be able to tie it into any sort of bouquet with their tender European flowers? That poison can destroy us, but it will cost their future unity dearly. The future Europe will not be unified by bombardment," Dr. Milorad Ekmecic said.

Changes in FRY Army Leadership Viewed

93BA1019A Belgrade NIN in Serbo-Croatian 7 May 93 p 18

[Article by Slobodan Ikonic: "A Filter for Generals"]

[Text] The scant press release to the effect that by decree of the president of the Federal Republic of Yugoslavia [FRY] the active military service of Lieutenant Colonel General Ljubomir Domazetovic and Air Force Major General Veljko Boskovic had terminated "to meet the needs of the service" was received with evident attention by the public. Both because of the people involved and because of the posts they were leaving.

General Domazetovic, whom many in the VJ [Army of Yugoslavia] considered a man for all seasons, is leaving the post of deputy chief of the VJ General Staff, that is, the second man in the army. He spent a lengthy period as chief of the 3d Administration of the General Staff of the JNA [Yugoslav People's Army], where he was responsible for the organization, formation, military plans, and mobilization from Slovenia to Macedonia. The last war and disintegration of Yugoslavia demonstrated to what degree and in what manner those duties were performed. That did not prevent this top-level officer from obtaining the position of deputy chief of the VJ General Staff, bypassing the customary procedure.

He has spent part of the time since he became a general preparing and publishing the book *Likovi i dela slavnih vojskovodja sveta kroz vekove* (*The Character and Deeds of the World's Famous Military Commanders Down Through the Centuries*), which, they say in the corridors of the General Staff, was written by others, while he merely signed it....

As the second in command in the army, the person responsible for transformation of the VJ and for optimization of the personnel structure, he devoted a good portion of his time to the effort involved in adoption of the Law on the VJ. And while the optimization of personnel was carried out "consistently" (the army has been ethnically cleansed almost entirely), the law on the army still has not been passed, and it seems that Gen. Domazetovic himself in fact had quite a bit to do with that.

Early last fall it was announced that the law would be adopted "by urgent procedure," and that the required procedure would be completed by the end of the year. Problems arose over the jurisdiction and powers of the Defense Ministry and the General Staff, associated with contradictory assessments of the constitutionality of certain of the law's provisions.

Informed sources say that under the amendments submitted by Gen. Domazetovic, contrary to the Constitution, special powers would go to the president of the republic and the chief of the General Staff, which would essentially detract from the position of the federal Ministry of National Defense, whose jurisdiction over the Army of Yugoslavia is negated. Matters over which the ministry has authority under the Constitution would be handled in the General Staff. For all practical purposes, this would be what the SSNO [Federal Secretariat for National Defense] was in the past. This position of Gen. Domazetovic was not successfully argued in the Supreme Defense Council, and even Gen. Panic, chief of the General Staff, was against it, and it was proposed that the draft of the law be submitted to the Assembly without the amendments in dispute.

Suspicions and insinuations to the effect that in making the personnel changes Gen. Domazetovic was hoping for the post of chief of the General Staff, and in the law therefore wanted to strengthen it as much as possible in the power hierarchy, have been dispelled by the retirement.

The post of chief of the Security Service of the Federal Secretariat for National Defense, which was held by Gen. Boskovic, is equally sensitive. Although he was a retired colonel, he was reactivated in May 1922, at the height of the dismissal of the "surplus" of generals, he was promoted to major general out of order by decree of the SFRY Presidency signed by Branko Kostic, and was appointed chief of the intelligence-security sector of the General Staff. To the post from which that same Presidency removed Maj. Gen. Aleksandar Vasiljevic, who up until that time had been chief of the Security Service, by abrupt retirement, and his shoulders were later burdened with a number of accusations of "treason, espionage, and war profiteering." After 110 days spent in prison and a trial that lasted another 35 days, he was acquitted of all charges, but was not rehabilitated. Vasiljevic's successor, Gen. Boskovic, took a zealous part in the campaign against Vasiljevic, accusing him of even having attempted to kill him.

One inevitably recalls the visit which Gen. Boskovic made to Sarajevo immediately after his appointment to head the security department; during that visit, he worked to get the officers and men of the JNA out of the Jusuf Dzonic Garrison. People were surprised to hear his statements praising Alija Izetbegovic, "thanks to whom the negotiations are going well," as well as the reproaches of Gen. Mladic (because of the artillery bombardment of Sarajevo), of whom he said: "I think that he exaggerated (in returning fire) when the garrison in Lukavica was attacked."

The attack on the column of soldiers led by Gen. Kukanjac was also rather shrouded. Boskovic later disputed Biljana Plavsic, who spoke about a cover-up of the death of numerous young men, asserting that only one soldier was killed. He also tried to deny all the stories about his kinship to Dr. Branko Kostic, a member of the SFRY Presidency, and assertions that the two of them had their own private intelligence service....

Unofficial information indicates that the surprise retirement of Domazetovic and Boskovic is the direct consequence of malfeasance and also the fact that the two of them were refusing to leave their offices, because they were dissatisfied with the decision of the Supreme Command.

The dismissal of the generals is publicly seen as "removal of the hard line from the top command of the Army of Yugoslavia," and the question inevitably arises: Do the arrival of the new deputy chief of the General Staff, Gen. Dragoljub Simonovic, and the retirement of Domazetovic and Boskovic signal other changes in the top military leadership? An indirect and informal answer to that question has come from Gen. Zivota Panic. Asked by a newsman whether the civilian suit he wore when he went to meet the presidents of Yugoslavia and Serbia, Dobrica Cosic and Slobodan Milosevic, meant that he is preparing for some other assignment (since there are rumors that his dismissal is being prepared), Zivota Panic answered: "Civilian suits are comfortable; as for my dismissal, everything is possible; if the Supreme Council meets and decides in favor of my removal, then that is how it will be."

Belgrade Investbanka Shows Positive Returns

93BA1038G Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 10 May 93 pp 42-43

[Article by V.Gr.: "Investbanka of Belgrade: Domestic Difficulties"]

[Text] The continuation of adverse economic flows this year provides no basis for optimism that there will be financial rescue and neutralization of the immense adverse consequences in the banking industry anytime soon. Under such circumstances, it is impossible to design Investbanka's business policy for a period longer than one year. That is why Investbanka decided to conduct business policy over a shorter three-month period. That is, on the basis of powers obtained from the Investbanka Assembly, its managing board is approving balance sheets and financial plans for revenues and expenditures on a quarterly basis.

The bank's annual policy could be defined only in the most general commitment to commit funds primarily to sectors which have opportunities for production, along with maximum use of primary note issue (for the purposes envisaged by credit and monetary policy).

As for business performance last year, Investbanka had a positive financial result, but at the same time share capital in real terms, expressed in dollars, decreased by a factor of 3.7. The nominal 61-fold growth was not sufficient to prevent the erosion that occurred under the impact of inflation. The dinar part of capital has been protected only to the amount that was appropriated from the financial result to the bank's reserves (2 billion dinars were committed to reserves instead of paying dividends).

The foreign exchange component of the balance sheet has been brought into line with changes in the official exchange rate of the dinar (devaluations). That accounts for the fact that the foreign exchange portion today amounts to three-fourths of the bank's potential, and the dinar portion only one-fourth. The devaluations of the dinar will continue to reduce the dinar part of the balance, while share capital (expressed in dollars) will be reduced to insignificant amounts.

In spite of the adverse conditions for Investbanka's business operation, and this has been true for any other "old" bank, it did not declare losses. This was achieved thanks to erosion of share capital, but also by means of drawing up the accounting of foreign exchange obligations at the unrealistic (official) rate of exchange.

Stojan Dabic, Investbanka president, who does not conceal these facts, adds another amazing figure: Foreign exchange business was disastrous in 1992, because the inflow was $130 million, or only 11 percent of the result for the previous year, 1991.

The reduction of foreign exchange savings by $53 million can be looked on favorably (at the end of last year, they amounted to $361 million), which was achieved by purchases, that is, payment of the dinar equivalent in cash, for apartments, office space, and the like. Had cooperation with the NBJ [National Bank of Yugoslavia] been better, the reduction of savings would have been still faster.

Today, however, it is not good to deceive savings depositors that commercial banks will effectively pay them what they deposited. As Stojan Dabic says, the banks do not have in their vaults the amount being sought (the savings were deposited with the NBJ or were never in accounts of the banks). What is more, the banks are prohibited from buying foreign currency on the "black" market. It is another matter that the banks, even if they could do so, would not manage to cover the difference between the official rate at which credits from the NBJ and interest are calculated and the rate on the "black" market.

The most recent proposals for a "permanent" solution to the problem of savings amount to new deceptions of depositors, because they are told to seek their deposits where they do not exist (in the banks), that is, a mechanism is being offered for taking income out of the economy in order to discharge the obligations of the government toward savings depositors. According to Dabic, the imperative obligation of the banks to discharge obligations in actual currency is unacceptable, especially because other regulations leave no opportunity for building up a foreign exchange potential that is not earmarked.

The losses occurring as a consequence of the disintegration of the former Yugoslavia and the monetary independence of the new sovereign states, that is, appropriation of the property of the business units of the bank, are being offset by a number of measures.

The reference is to business units in Osijek and Zagreb, which by decree were transferred to the property of Slavonska Banka [Bank of Slavonia] and Privredna Banka Zagreb [Business Bank of Zagreb]. In Sarajevo, the business unit is not doing business, because the headquarters were shelled, and the vaults were broken open. In Tuzla, the business unit is divided; the central part is operating under jurisdiction of Bosnia and Herzegovina, while operation of agencies and offices in the Serbian Republic is being coordinated by Investbanka directly.

The business unit in Ljubljana ceased to operate because the minimum capital required for founding was set high, but also because of the absence of the principle of reciprocity, which would allow Slovenian banks to come to the FRY [Federal Republic of Yugoslavia]. Therefore, business with the public in Ljubljana has been transferred to A Banka [Bank A] with consent of the government. In Skoplje, the situation is most straightforward: The business unit of Investbanka, which before the sanctions was the only one handling payments with the FRY, is operating normally under monetary regulation of the Republic of Macedonia.

Data on Belgrade Prva Preduzetnicka Banka

93BA1038F Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 10 May 93 p 42

[Article by V.Gr.: "Prva Preduzetnicka Banka of Belgrade: Projects for the Future"]

[Text] Prva Preduzetnicka Banka [First Business Bank] is asserting a business philosophy with which it hopes to speed up enterprise in the production sector on the principle of a new firm for a new project with straightforward ownership relations. The proposal of Prva Preduzetnicka Banka is premised upon the identified interests of successful entrepreneurs in nonproduction sectors (who have gotten rich, some of them the hard way, some of them the easy way) to invest in good projects as their "true" future. At the same time, the bank has identified a dozen production programs of private entrepreneurs.

Slobodan Vukovic, the bank's president, emphasizes that the new investments represent "absolutely straightforward property relations," which is in fact the reason for the principle of a new firm for a new project. The new firm will obtain capital by selling its shares. Sales would be made in the closed circle of potential investors or publicly.

The bank even might arrange loans directly with a term of less than one year, but on the principle of the foreign exchange equivalent, the purpose of which is to protect assets against the obvious dangers of erosion. It certainly assumes that any new firm established with a sound program will be able to handle the use of dinar credits on the principle of the foreign exchange equivalent.

In any case, Prva Preduzetnicka Banka is continuing to follow the policy of a corporate type of organization, with no majority owner, as "some kind of fourth alternative" in banking here (we already have the government socialized banks, banks in which one firm is dominant, banks with an inviolable owner, an individual). The bank does not accept the so-called newfangled street banking, because it, along with the various financial affairs and scandals, compromises all of them. Especially the banking profession and confidence. A concomitant phenomenon of this are the unpredictable and disrupted economic and financial flows.

At the same time, the bank's business performance under difficult conditions is not to be underestimated. The bank's business result is inseparably bound up with the (successful) business performance of the shareholders, customers, and partners, who, as Vukovic says, have shown that true entrepreneurs can extract the maximum even under the most difficult conditions thanks to their vitality, resourcefulness, and ability "to prepare for better times."

Certainly, business results could not have been spectacular. One of the reasons the bank did not try to achieve bigger results was the risk of violating monetary and other limits, that is, the danger of its reputation and future being threatened. According to the figures for the first three quarters, the bank's permanent capital has grown 31-fold, and if we add reserves (revalued and regular), the growth of total capital strength is noticeably faster: 81-fold. In any case, permanent capital has the share of 20 percent in the bank's total potential.

It should be mentioned that the bank has contracted for an economic and financial audit of the year-end statement for last year, and it was supposed to be done already. However, the authorized auditor did not finish the job on time.

One characteristic of the bank's business operation is that lendings are short term, which is a consequence of the crisis, disrupted commodity-money flows, and the galloping rate at which money is losing value. The bank is also continuing with short-term credits this year. Since 20 March, the growth of lendings shows an index number of 268 over the situation at the end of last year, with revenues exceeding expenditures by 20 percent. Every day it adjusts interest rates to movements on the money market and the needs of partners, constantly seeking an optimum and adjusting the contradictory interests of stockholders for a larger capital return, but the lowest possible interest rate on credits.

Finally, we should mention development of the bank's business network. In addition to the headquarters in Belgrade, it has opened business offices on Vozdovac, and then in Jagodina, Krusevac, Despotovac, and Subotica.

The bank's main business objectives this year are similar to those of last year, with the exception of what they refer to as a new firm for a new project, which we have already mentioned. The objectives are further additional capitalization (a third issue of shares), stimulating a growth of deposits and interbank credits, along with the sale of securities, continuation of short-term credit financing of shareholders, the arrangement of selective credits with refinancing from primary note issue in cases when appropriate programs are furnished, creation of conditions to conduct all banking transactions with foreign countries, continuation of the conduct of guarantee transactions and profitable transactions, trying for a larger share of commissions in the structure of the income statement, the conduct of business with the public only for a particular target group, establishment of a safety deposit box business, creation of conditions for profitable business operation of new firms in which it has controlling stock—and finally its goal is to strengthen management.

Further Deterioration of Metals Industries

93BA1038D Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 10 May 93 p 21

[Article by S.P.: "The Metals Industry: Big Firms Shut Down"]

[Text] Three days after the last package of sanctions toward Yugoslavia were activated, there was a meeting in Belgrade of members of the Executive Committee of the Economic Chamber's Association of the Metal Production and Processing Industry. The main topic of discussion: the current business situation. And what did the directors say about it? They informed one another about lists of products which the federal government has

classified among those that will be balanced at the level of the entire country (and which as such have certain privileges), and also about the list of products which they will be able to sell for foreign exchange so long as the sanctions exist (a key remark of the firms is that that list was drawn up in haste and is therefore inadequate). The directors reacted most sharply to someone's initiative that collective agreements on salaries and wages be suspended. The rationale was that collective agreements have already established some kind of equilibrium, and their suspension at this moment would result in big splits from one industry or region to another, and the directors themselves would suffer most at the outset, and who knows who after that. The greatest number of reproaches were addressed to the lack of a social welfare policy, that is, to the fact that the government has not been showing any intention at all to "remove" redundant employees from enterprise payrolls. One of the suggestions made was to switch to administrative management of the economy, specifically by means of individual projects that would involve the enterprises capable of it, while certain parts of enterprises or entire enterprises (that would have no work in those projects) would be given social welfare status. These are mainly large firms which at that moment are something that must be preserved in view of the fact that they cannot function from petty smuggling and day-to-day adaptation.

The directors themselves, however, were not on this occasion concerned with the production activity of their firms—not even descriptively. The reason is rather simple. The sector of the metals industry was fiercely shaken back at the beginning of Yugoslavia's disintegration for the simple reason that disintegration of the state and the suspension of trade interrupted the mutual industrial cooperation that had been developed over decades. The belief that the breaking of those links would be overcome by rapid substitution of parts and assemblies either through some kind of import or through development and production in local factories—proved to be a grave mistake. Organizing the production of several dozen parts and assemblies for automobiles, say, did not help at all, because several hundred more remained whose production had not been organized. That is why this sector has had very high rates of decline of production from quarter to quarter, but on this occasion we will confine ourselves only to recording what happened at the beginning of the year, that is, immediately before the airtight-sealed borders came on the scene. In the first months of this year, the branches of the industry for the production and processing of metal reduced production by 57.3 percent on the average, and that is compared to the same period of the previous year. The situation is most dramatic in shipbuilding, where activity comes down to repairs and overhauls of the domestic fleet, and there is no construction of new vessels at all. Here, production activity in the first quarter, compared to the same period of the previous year, was off 88 percent. The next most threatened industry is metallurgy (the drop of production in ferrous metallurgy is 71 percent). Until just before the end of last year, blast furnaces and steel-making furnaces in steel mills were operating at reduced capacity relying on inventories, but at the beginning of this year production ceased altogether in both Smederevo and Niksic. Metallurgical processing capacities are still operating, but at markedly reduced volume. The tinplate factory in Sabac has shut down production.

Production in the machinebuilding sector is down 63 percent this year compared to last year. Producers of power equipment and machine tools are particularly threatened. Production of passenger automobiles has ceased entirely; most of the workers are on mandatory leave, while a small number are occasionally employed to assemble vehicles that have not been finished and to maintain the machines. The capacity for truck production (in Kragujevac and Priboj) is being used below 50 percent, while bus production has for all practical purposes been halted (no engines). The rail vehicle industry is working on repairs and modifications of the existing rolling stock; there is no new construction. The production of household appliances is operating successfully, above all making kitchen appliances, while the situation with television sets is altogether different: The main partner of the people from Nis (Philips) has suspended the license agreement for cathode ray tubes. The situation in the telephone industry is markedly complicated; domestic production is equally threatened because it cannot import production supplies, but also because private business is managing to offer imported goods (Panasonic has for all practical purposes already driven domestic production of appliances off the local market). Much the same is happening in the computer sector. A large number of assemblers has sprung up, so that the two key producers (ILR and Pupin) have received additional blows on their market.

Serbia

'Bomb' Explodes at Bulgarian Embassy in Belgrade

AU0206101393 Sofia BTA in English 0821 GMT 2 Jun 93

[Text] Sofia, June 2 (BTA)—The Charge D'affaires of the Bulgarian Embassy in Belgrade Yordan Kozhukharov at 10 o'clock [0700 GMT] this morning told BTA the following.

"At 2310 [2000 GMT] hrs. last night there was an explosion in the embassy yard, followed by thick smoke. No damage was caused, as the explosive device fell into the grass. Officers of the Belgrade Interior Ministry, called right after the explosion, made an inspection on the spot. As the yard is not well lighted, it was agreed that they would return on the morning to complete the inspection."

Asked whether he had any suspicions as to who may have dropped the explosive, the Bulgarian diplomat said,

"recently we've been an object of a little more attention by anti-Bulgarian elements."

Ministry Reports Investigation

AU0206113993 Sofia BTA in English 1045 GMT 2 Jun 93

[Excerpts] Sofia, June 2 (BTA)—The Charge D'affaires of the Bulgarian embassy in Belgrade Yordan Kozhukharov at 10 o'clock [0700 GMT] told BTA the following:

At 2310 hrs. [2000 GMT] last night there was an explosion in the embassy yard, followed by thick smoke. [passage omitted]

At 0700 [0400 GMT] hrs. this morning the investigative authorities in Belgrade made an on-the-spot inspection, the Bulgarian Foreign Ministry press office reported. The explosion was felt in the neighborhood and activated car alarms. No damage was caused. The incident was immediately reported to the Yugoslav Foreign Ministry and police. The results of the investigation will be reported later on, the press office release says.

Macedonia

Gligorov Urges Clinton To Seek Consent for Deployment

LD0206101193 Belgrade TANJUG Domestic Service in Serbo-Croatian 0810 GMT 2 Jun 93

[Text] Skopje, 2 Jun (TANJUG)—Skopje paper NOVA MAKEDONIJA writes today that Macedonian President Kiro Gligorov recently sent a letter to U.S. President Bill Clinton, saying among other things that "the initiatives to send U.S. troops to Macedonia without the republic's consent are unacceptable."

According to the paper, Gligorov was prompted to write the letter by the five-countries' agreement in Washington, which is being reviewed by the UN Security Council. The document envisages the deployment of U.S. troops in Macedonia in order to allegedly prevent the spread of the civil war from the former Bosnia-Herzegovina into this former southernmost Yugoslav republic.

Montenegro

Party Leaders Criticize Cosic Dismissal

LD0106165193 Zagreb Radio Croatia Network in Serbo-Croatian 1300 GMT 1 Jun 93

[Dispatch by Dino Ramovic from Podgorica]

[Text] The majority won and morals lost in the Yugoslav Assembly last night—this was the first reaction by Svetozar Marovic, secretary general of the ruling Democratic Party of Socialists of Montenegro, to the decision of the Federal Assembly to dismiss President Cosic in summary procedure. Unfortunately, last night the Assembly lacked the necessary level of culture, morals, and responsibility, Marovic says, to give President Cosic at least an opportunity to say something in his defense. He was dismissed by those who followed his idea for years and submissively glorified his personality.

Marovic goes on to stress that the Assembly of the Federal Republic of Yugoslavia yesterday showed that it can do anything it wants, regardless of law and reality. It is difficult to foresee its future decisions and who will be next to be dismissed.

Slavko Perovic, chairman of the Liberal Alliance [Liberalni Savez], believes that Cosic's dismissal has revealed the essence of Milosevic's totalitarian regime. By renouncing the spiritual father of the pan-Serbian state, it has admitted that this concept is no longer interesting, but that it will be used as a means for introducing Slobodan Milosevic's personal dictatorship. Slavko Perovic is afraid that this dismissal will open a new battlefront—in Kosovo.

In the opinion of the chairman of the Liberal Alliance, the dismissal of Dobrica Cosic should clearly show to Montenegro that it has no option other than war in such a state community, and that the only future offered to its youth is on the battlefront. Slavko Perovic offers all democratic forces in Montenegro the path of autonomy and independence that would secure Montenegro a place in the Mediterranean and European communities.

Montenegrobanka Director on Inflation, Sanctions

93BA1038A Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 10 May 93 pp 14-15

[Interview with Veselin Babic, director of Montenegrobanka, by Mijat Lakicevic; place and date not given: "A New Climate in Montenegro"]

[Text] The principal reason for interviewing Mr. Veselin Babic, director of Montenegrobanka d.d. [joint stock company], was the need to learn how events in the monetary sphere are seen in banking circles of the "other federal unit." After all, it is a fact (and, to be sure, there are a number of objective reasons for it) that everything that occurs in this area is mainly refracted through the prism of money circles in Belgrade, that is, Serbia.

However, the conversation, one would say inevitably, took a turn into other waters and touched on topics which perhaps are not directly related to the financial sphere, but are factors on which it undoubtedly depends very greatly. And it was the talk about them that confirmed what for a long time now has been suspected on the basis of various signs—that what is happening in Montenegro bears a different trait from events in Serbia or at least, if the results are not particularly visible, the atmosphere is such that a much greater desire is felt to make a turn toward the world, to link up with Europe, and to accept the achievements of civilization with respect to the way the economy and society are ordered.

[Lakicevic] Mr. Babic, what does an inflation rate of 100 or even 200 percent a month mean for a bank; how can business be conducted at all under such conditions?

[Babic] The higher the rate of inflation, the less it pays to engage in the money trade. The more money there is on the market, the lower its price (the rate of interest), and so a special kind of loss occurs, referred to as the inflationary loss, representing the difference between the level of inflation and the level of interest rates. This results in impoverishment of the assets of the bank, because the revenues realized by a large number of banks is not even enough to revalue their assets to keep up with the level of the rate of inflation, which is a minimum requirement if you want to maintain simple reproduction.

The drop in production and in general the economic crisis and inflation are profoundly devastating to the entire tissue of the economy, and that means also to those with whom we do business—firms which are rapidly getting weaker and are unable to meet their obligations. As a consequence, a sizable portion of bank loans cannot be collected, not even the principal, which again substantially diminishes banking capital, which has already lost value. What is more, in the so-called old banks, of which Montenegrobanka is one, inflation also brings with it a number of other consequences as a legacy from the previous period. The old banks have large amounts of questionable assets in the form of foreign exchange loans to the economy, above all foreign credits and guarantees, which represent an immense loss that has not been covered on the balance sheets of the banks. Every change in the exchange rate of the dinar increases that deficit, and the banks are becoming less and less able to cover that loss in the foreseeable future.

A large number of firms which are the end users of foreign credits are in the greatest difficulty, and their rescue requires not only immense additional funds, but it is also extremely difficult to restructure their ownership and management, so that their future is extremely uncertain, and that also applies to the bank capital that is in those firms. This has been the hardest blow to the balance sheet of the banks.

Finally, the old dinar loans, contracted for under the conditions of the time, have become utterly worthless, and that capital is lost. Survival is somehow being assured nevertheless, but the prospects are very pessimistic.

[Lakicevic] In view of what you have said, what kind of monetary policy should there be this year?

[Babic] As is well-known, primary note issue regulates, i.e., reconciles, the relation between commodity flows and money flows. In our country, however, it might be said that this has never been the case, least of all today. Most of the fresh money is used to cover the deficit spending, which is economically disastrous. But that kind of note-issue policy is not the cause, but the consequence, of the overall situation in the country, and I think that we will not have a sound monetary policy until the political situation is straightened out and a logical economic program is established. I put myself in the position of the person conducting monetary policy. How can it be conducted when there is such a disproportion between production and consumption, between our capabilities and the demand? We have to save ourselves, we have to survive somehow, and in these times we need, if I might so put it, a specific monetary policy. In that phase, then, there has to be some additional printing of money just to survive.

[Lakicevic] I suppose the most essential question here is that of measure.

[Babic] Absolutely, there must be some measure. But I think that we will have to count on inflation not only so long as the sanctions persist, but also for a certain time after them, until production extricates itself from the situation in which it is now, until we create new national income. Of course, if we are to be able to cover those immense dubious assets in the course of stabilizing the economy, we will have to borrow something from abroad. The essential thing is not to finance consumption in that way, but to channel those funds above all into creating the largest possible national income with their help.

However, there is something else I would like to say here. The difficult situation into which we have gotten is not just the consequence of the war and the sanctions, but also of the disintegration of socialism, that is, in our case, of the system based on social ownership. This is demonstrated quite convincingly by the situation in countries which have not been at war and have not been subject to any sanctions. In our country, the sanctions created an additional bad impact in that they conceal from us the true state of affairs, so that now we can think that some systems have failed because of the sanctions and not see, that is, those making decisions on this will not see, that they would have failed even without the sanctions. I draw the conclusion from all this that it will be very difficult to revive our economy. It is not just a question of money, we also need to find new people, new programs, new markets, and I am afraid that that will take more than a decade.

[Lakicevic] Now that you are talking about that, the banks are perhaps the largest Potemkin village in the Yugoslav economy.

[Babic] Back three or four years ago, there was a subprogram within Markovic's economic reform program which envisaged financial rescue of the banks. Immense funds were envisaged for that purpose, I recall that $14 billion were in question. On the basis of the year-end statements for 1989, that was the amount of losses of all the banks in the Yugoslavia of that time. We know about everything that has happened in the meantime, and among other things that deficit has grown—there is talk in this present Yugoslavia of a deficit of the so-called old banks amounting to $12 billion, but it would not surprise

me if it were even greater. That is, everything depends on how old foreign exchange savings are identified—is this to be treated as a debt of the bank or a debt of the Federation? In Slovenia and Croatia, they have passed laws whereby the government took over that debt, but in our country that issue has not yet been resolved. We have certain contracts with the National Bank of Yugoslavia [NBJ] whereby it takes over that old foreign exchange savings and they are treated as a debt of the Federation, but when some depositor sues us and we refer him to the NBJ, it does not acknowledge that and sends him back to us.

The second basis on which the losses occurred are the foreign loans which went to firms like the steel mill in Niksic or, a still more drastic example, the paper pulp mill in Ivangrad, which are not able to return that money, nor can the bank, because there is nowhere from which it can take it. That means that after the sanctions are removed we will have to petition world monetary institutions to postpone payment of our obligations. Of course, people in the world know all that, and so our debt has fallen below 20 percent of value on the market. If we had the money, it would be good for us to buy it now. That is why I think that we must bring about the legal, economic, and other conditions for foreign capital to buy up that debt and in that way enter upon restructuring our economy. For instance, we have about $300 million of debt which is being sold today on the world market. Why, for instance, not assume that there will be people abroad who are interested in buying that debt at 20 percent of face value? But they will not do that unless they have an interest in it, but we can create that interest by making it possible for them to do business more easily, to free them of certain charges (duty, taxes), etc.

[Lakicevic] It seems you are not really an optimist when it comes to the possibility of rescuing the banks.

[Babic] Restoring the banks to health is like treating sick tissue. As we know, in the case of illness the causes have to be removed, and in this case they are very complicated. The balance-sheet deficits that have occurred, and also those that will occur before economic recovery begins, must be covered with real funds. I think this will not be possible without funds from abroad. Another very complicated question is also how that money is to be obtained; the answer to that question depends both on the overall policy of the country's economic stabilization and also on certain specific arrangements, for example, creation of conditions for foreign investment, including the possibility of selling domestic banks.

The rescue of the old banks will depend basically on the rescue of the entire economy, especially those firms whose foreign debt has not been paid and represents one of the most important sources of losses in the banks. And then it also depends on solving the problem of old foreign exchange savings, which beyond any doubt represent an immense loss, which is not shown on the balance sheets of the banks, but that is only a formality. So, financial rescue of the banks is possible, but for the present it is very uncertain.

[Lakicevic] How in that context do you look on the new law on the banks, which has just been withdrawn from proceedings because of objections from the banking world?

[Babic] Certain of the articles in that law would probably have made our life still more bitter, but I still would not say that the law is what bothers us most. If we arrive at a normal market economy, and I assume that that is what we all want, the laws will also be corrected. However, I would nevertheless say that in my opinion the new banks, which under the law must operate from the very beginning, must be distinguished from the old banks, which, because of the things of which I have already spoken, need either to be rescued or liquidated. I do not think that that is worthwhile in this society, and by that I mean this state and economy. The proposed version of the law on the banks did not make that distinction. The law says that within a certain period of time the banks will adapt, but that is not enough, because a program for adaptation and support, financial, of course, for that program are necessary.

Banking is only one segment of the economic system, and everything depends on how that system is conceived. In my opinion, after all of these upheavals of ours, we will still have to go back to that program from 1990, that is, the program for stabilization of the economy on market foundations. I think that today the climate for carrying out that program is still better than at that time, although the situation is more difficult, and that the forces that can pull the wheel of history forward are stronger than they were three or four years ago. I would say that we have reached a point where only the rapid pace of a market economy can extricate us. Anything else is a return to socialism.

[Lakicevic] It seems, however, that those others are nevertheless somehow better-organized.

[Babic] You think so; they still are in power. Perhaps. I am speaking more under the influence of the situation in Montenegro. It seems to me, that is, that in Montenegro the forces in favor of some new time are very strong; as a matter of fact that they have already become superior. The only problem is that because of the environment, above all the sanctions, there is no program which could be carried out. That is why we are trying now to arrive at a starting position for the time after the sanctions, so that when they are removed, we can be quick to become part of the market environment of the world economy.

That is why I think that the federal government, and I have said this to Prime Minister Kontic, ought to prepare Yugoslavia's economy, not only the system, but also the people, to turn their minds toward Europe. So, let it draw up a program for survival, which is indispensable, but at the same time it must also draw up a program for

the time after the sanctions are removed, so that immediately, as soon as they are removed, we can begin to carry it out, and not wait until then to think about what we are going to do and how we are going to do it. We must be ready when that time comes. We in Montenegro are making a serious effort in that direction.

[Box, p 15]

I am profoundly convinced that the thesis we held for many years about the vehicles of development, that is, that our largest firms, the so-called giants, would make socialism and progress, was a grand illusion. We threw an immense amount of capital into firms which have never yielded even average results. Both then and today the small and medium-size firms have yielded much better results. That is why I have often been calling those firms, we have a dozen of them in Montenegro, not the prime movers of the development, but the removers of development, because they have gobbled up most of the money, most of the additional capital both from the country and abroad, just to survive, resorting to various pretexts—reconstruction, modernization, financial rescue, and so on. Even today their rescue and survival will be the biggest problem. It is very difficult to find anyone who will invest huge amounts of money to activate those firms and who will work there.

Kosovo

Rugova: Washington Agreement 'Best Solution'

LD2805170393 Belgrade TANJUG in English 1523 GMT 28 May 93

[Text] Pristina, May 28 (TANJUG)—Contrary to the position of the foreign ministers of the United States, Russia, Great Britain, France and Spain that secession of Kosovo-Metohija from the Yugoslav Republic of Serbia cannot be accepted, Kosovo ethnic Albanian leader Ibrahim Rugova sees the Washington agreement as not ruling out independence for Kosovo.

Rugova, who is president of the Democratic Alliance of Kosovo (DSK), the most influential ethnic Albanian party in the southern Serbian province, told reporters on Friday that "although a neutral and independent Kosovo is not the maximum Albanian demand, it is the best solution, acceptable to Albanians, Serbs and all others living in these lands."

A strong ethnic Albanian separatist movement has been active for years in Kosovo, and its leaders openly urge an independent republic of Kosovo and its annexation to neighbouring Albania.

Rugova spoke favourably of the Washington action plan for ending the war in Bosnia-Herzegovina, especially of the part relating to the sending of U.N. troops to the former Yugoslav Republic of Macedonia and stepping up the presence of international monitors in Kosovo.

Rugova's position largely differs from views expressed by other ethnic Albanian leaders, who have fiercely criticized the Washington agreement and seen it as an alleged concession to the Serb side.

They are especially furious at item 11 of the agreement which makes it clear that Kosovo is a part of Serbia and that no declarations on the alleged sovereignty of Kosovo Serbia will be accepted.

Ethnic Albanians have illegally proclaimed their own parliament and government, and elected Rugova president of "the republic of Kosovo."

Rugova also told reporters that his talks in Pristina on Tuesday with Russian Deputy Foreign Minister and peace envoy Vitaliy Churkin were significant.

Churkin briefed the Serb and ethnic Albanian sides about the Washington agreement.

Rugova confirmed that the Russian diplomat offered to mediate in talks with Serbian and Yugoslav authorities on how to resolve the Kosovo problem.

"In that context, a meeting with Serbian President Slobodan Milosevic was also mentioned," said Rugova and added that he would accept the dialogue but "with no conditions posed and with international mediation."

Speaking at the same press conference, DSK Vice-President Fehmi Agani said that the latest round of talks on the reopening of Albanian-language schools in Kosovo with German Ambassador Geerd Ahrens in Belgrade on Wednesday had reached an impasse and doubted that the problem would be resolved in the near future.

Ethnic Albanians in Kosovo reject curriculums approved by the Serbian Education Ministry and demand that instruction in their elementary and secondary schools and the Albanian-language university in Pristina be based on their own, national curriculums.

Berisha Views Churkin Visit as Support for Milosevic

AU0106162193 Pristina KOSOVA DAILY REPORT No 103 in English 26 May 93

[Unattributed report: BUJKU: The Russian Card Burns in Prishtina—issued by the Democratic League of Kosova]

[Text] In an editorial of the 27 May edition of BUJKU newspaper, Ibrahim Berisha comments on Tuesday's [25 May] trip of Russian Deputy Foreign Minister Vitaly Churkin to Kosova. "Vitaly Churkin reasserted directly the Russian policy of support to Milosevic's regime and indirectly to the Serbian state terror in Kosova. He came to recommend to the Albanians to accept the current Serbian regime, uttering no word of condemnation on the systematic state terror which has been going, the ultimate goal being: ethnic cleansing of Kosova in favor

of Serbs. Churkin's appeal to 'the Albanian of all convictions' affirms the Serbian claim that the Albanians have diverse political beliefs and that, at length, Basri Pllana and his sympathizers are the best variant towards the solution of the Kosova status, even, as Churkin said, 'on the basis of the territorial integrity of Serbia.'"

The BUJKU editorial goes on saying that Churkin endeavored to rehabilitate "the Serbian state policy of crimes and neocolonialist state."

"The tendency of the Russian diplomacy to define Kosova as an internal affair of Serbia is in full opposition to the position the international community has adopted so far, starting from the London Conference to the joint plan of action adopted by five foreign ministers, which defines Kosova as a special issue in the crisis of former Yugoslavia. Churkin's stance to the Kosova problem is in opposition to this plan, in which the position of Kosova is not defined as 'Serbian territory,'" says BUJKU.

Further, the Prishtina-based newspaper comments: "Such a stance of the Russian diplomacy, trying to sell off its diplomacy as a diplomacy of the international community rules out the possibility of the Russian diplomacy intermediating in the Albanian-Serbian question, as it is quite clear that Churkin came (to Kosova) with such designs. The Russian card was burnt in the first play. Perhaps overflown by emotions following the talks in Belgrade with Milosevic and the Serbs installed in Kosova, Churkin became spokesman of pa.-Slavic ideas."

The American-Albanian newspaper focusing on the Balkans, ILLYRIA, published in its Wednesday's edition (26 May) an article entitled "Churkin in the Service of the Serbian Policy of Hegemony in Kosova," denouncing Churkin's statement following the talks in Prishtina. The author is surprised with Churkin's stance on Kosova.

LDK Sees RILINDJA Closing as 'Genocide'

AU0106162593 Pristina KOSOVA DAILY REPORT No 103 in English 26 May 93

[Unattributed report: "LDK Calls on International Community To Halt Serbian Policy of Genocide"—issued by the Democratic League of Kosova]

[Text] In a statement issued on Wednesday [26 May], the Democratic League of Kosova denounces the Serbian definitive ruining of RILINDJA company. The statement goes as follows:

The definitive blow of the Serbian regime to destroy RILINDJA, the only information publishing institution in Albanian in Kosova, testifies to the policy of genocide which is assuming the harshest shape of violence and provocations.

In order to halt such a policy, we will undertake everything possible. This should be understood by all who have turned plundering and terror as a means of existence in Kosova.

We express our solidarity with the act of Adem Demaci who, protesting against the Serbian devastating drives, has gone on a hunger strike. Likewise, we express our solidarity in support of the RILINDJA employees in their attempts to protect this institution of special significance to our spiritual and political life.

We call on all international institutions to undertake concrete action in order to halt such a policy of genocide, which is becoming more and more a possible catalyst of a conflict with tragic consequences. The responsibility for this will fall on those who participate in this crime against a whole people.

Hunger Strikers Continue Despite Deteriorating Health

AU0206055193 Tirana Radio Tirana Network in Albanian 1330 GMT 1 Jun 93

[Ali Mehmeti telephone report]

[Text] Mr. Adem Demaci and other RILINDJA reporters and writers are continuing their hunger strike. As is known, Adem Demaci is into his ninth day, whereas the reporters and writers who joined him are into the eight day of their hunger strike. Just before this report, a team from the Prishtina Medical Faculty issued a statement confirming that the condition of the hunger strikers is deteriorating and that they are now losing one and a half kilos per day because of disorders in several vital organs. These doctors suggest that all the strikers should halt their hunger strike. However, Demaci and the other hunger strikers are determined not to to do so until their demands are met.

Late last night, the strike council held three meetings with the representatives of the CSCE. Dr. Ali Jakupi, the strike council chairman, announced at a new conference that, despite this, concrete results have not been achieved. However, he did say that there are hopeful signs that an agreement may be reached. Asked by reporters whether the council had held direct talks with the Serbian side, Ali Jakupi answered that they are held only through the CSCE representative. Ali Jakupi told reporters that talks are expected to continue this afternoon.

Mr. Adem Demaci and the other hunger strikers are continuing to receive letters of support and solidarity from various Albanian and international institutions. We can mention here a letter from the well-known Austrian human rights activist, Christine von Kohl, who knows the circumstances in Kosova quite well. The letter says the following: Please, Adem Demaci, halt your hunger strike. What you have done is magnificent and necessary. It has had many results in the whole wide world, but you should stop now. You know that wise

men are needed now more than ever in the history of your people. You are one of those few wise men, and you need to be alive and in good health. You are indispensable now. Tell your friends to halt the strike and show them that the peaceful stance of the Albanian population during these terrible years will go down in history as heroic and Europe will one day understand [words indistinct], Christine von Kohl writes.

Meanwhile, the Danish [words indistinct] sent a letter [words indistinct] to Slobodan Milosevic, which states: The Danish [word indistinct] is alarmed by the news that the Serbian authorities [passage indistinct] that the plans of the government to usurp the publishing house were turned down, states the letter of the Danish [words indistinct] signed by its chairman Dr. Will Parfod [name as heard] sent to Serbian Chairman [title as heard] Milosevic.

Vojvodina

Vojvodjanska Banka Establishes Import-Export Firm

93BA1038B Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 10 May 93 pp 17-18

[Interview with Zivota Mihajlovic, general director of Vojvodjanska Banka [Bank of Vojvodina] and president of the Association of Banks of the FRY, by Vladimir Grlickov; place and date not given: "Reputation Moderates the Sanctions"]

[Text] Vojvodjanska Banka [Bank of Vojvodina] is trying to head the ranking of banks in the FRY not only for the size of its potential and capital, but also in another respect. Even though it falls in the group of so-called old banks, it is establishing a reputation by its market-oriented approach in business philosophy. It has adopted an up-to-date marketing-advertising method of representation, trying not to be a merely external (superficial) screen that would only be "cosmetics" to cover unchanged relations. This is evident from its commitments, but also from specific moves which it has been making concerning ownership transformation of the founders, as it soberly evaluates the present situation, without destroying everything that was constructive in existing firms and could be used to further the bank's affirmation on the market.

Vojvodjanska Banka has up to now managed to use the reputation it has gained to moderate the blows of the foreign sanctions and blockade, and it is expected that it will do so in the future as well. This is not, of course, a bank that is reconciled to the sanctions, among other things because by the nature of its business it is not affected by them to the same degree as others. On the contrary, it sees removal of the sanctions as the only real way out of the difficulties for everyone, including agriculture, which is mainly the sector it covers and finances with credit. Nor does it expect that removal of the sanctions will be "the same for everyone," especially insofar as it pertains to "thawing" channels for the inflow of foreign capital and foreign exchange. Market criteria of business operation will be required immediately, and the banks will have to show that even under the most difficult circumstances they did not lose their main business bearings, refraining from engaging in speculation and criminal acts.

We talked to Mr. Zivota Mihajlovic, general director of Vojvodjanska Banka and at the same time president of the Association of Banks of the FRY, about the influences of the sanctions and the blockade on the operation and position of the bank and about the most topical measures of the government, which affect banking in this connection.

[Grlickov] Vojvodjanska Banka's location means that you bring together both your founders and customers from agriculture. To what extent does the orientation toward agriculture help to soften the blows of the foreign sanctions and blockade?

[Mihajlovic] The bank covers about 60 percent of Vojvodina's agriculture, and if we also include the food processing industry that percentage rises to 80 percent. The share of agriculture's loans in our total is 70 percent. The rest go to industry, the private sector, and mixed ownership.

The foreign sanctions adversely affect the business operation of agriculture, and thereby that of the bank as well, because there are no exports. This is the reason why the bank had to get its bearings on the free foreign exchange market abroad and obtain the necessary imported raw materials for processing, as well as replacement parts.

[Grlickov] The most recent sanctions threaten to shut off even those few channels for "getting one's bearings." At least at the beginning, the blockade is complete, and all transactions with foreign currency have been stopped. Can you soften that blow at least to some extent?

[Mihajlovic] Agriculture is the sector least dependent on imports; seed production is most important in that respect. That grouping is being covered by institutes in which the bank has invested. However, foreign exchange and foreign currency will be necessary, and we have to obtain them so that we do not hold back entire production chains. I also think that the exporting of food will be possible even under this kind of embargo. But that does not mean that we are reconciling ourselves to the sanctions.

[Grlickov] Your bank has established an export-import firm with headquarters abroad. You are probably counting on it as a channel for conducting export-import transactions?

[Mihajlovic] It is a question of quasi-banking transactions about which we have been thinking. We set up our own firm to compete with the existing firms of that kind, both public and private. We intend to conduct foreign

and domestic trade on a larger scale and through cooperation to channel business through Vojvodjanska Banka. The firm would become big right at the outset.

The conditions for that exist in view of the market surpluses in agriculture and the bank's ties to the firms which have those products. The enterprises themselves are happy with the way the bank has stuck with them, for one thing because last year we allowed them interest rates that were 15 points below inflation. What is more, we refunded to them 30 billion dinars of interest collected. We have preserved 86 percent of the bank's permanent capital.

[Grlickov] The banks cannot be expected to operate in the black under the conditions today. It is certain that uncollected loans represent an enormous sum. What is the situation in your bank?

[Mihajlovic] In our case, the economic blockade has minor importance to the problem of which you speak. The important thing for Vojvodjanska Banka is that we are faster than others, because just three days after the sanctions were imposed we had a program and proposed a number of measures to prevent undesirable consequences. The program is analyzed every month and supplemented according to the new conditions on the external and domestic market. We have gained the confidence of the economy that we are an establishment from which they do not have to shrink out of fear that it could deceive someone. We have requests, not confined to Vojvodina, that our bank be present in various areas.

[Grlickov] Are you changing the ownership structure of the founders and thereby of the bank as well?

[Mihajlovic] We certainly cannot alter the ownership structure by our own enactments. About 90 percent of the agricultural sector is socially owned. Legislation has still not worked out privatization, nor established how it is to be done.

We ought not to be against large socialized farms a priori. For that matter, even before the war such farms existed in Vojvodina; Dundjerski owned entire tracts and parcels of land. Large farms also have advantages because large machines can be used on them most optimally. That is why we assume that kind of production in our credit financing policy. Nor have the private firms engaged in agriculture ever had a problem getting support from the bank.

[Grlickov] Are secured loans part of your business?

[Mihajlovic] We do make loans of that kind. These are firms on the borderline of profitable operation. We have even asked for houses and apartments as collateral, which the potential borrowers refuse to do.

[Grlickov] Have you taken over ownership of socialized firms which have not been paying off their loans?

[Mihajlovic] There have not been any cases of that, but the reason is that we do not allow firms to get in that kind of situation. The bank monitors the business performance of the firms and prevents such things in time.

[Grlickov] Have you been managing to protect your capital against erosion by inflation and other causes? It is said of certain banks that they have been revaluing their capital entirely, while of others that they are not managing to do that.

[Mihajlovic] The accounting system allows altogether arbitrary revaluation. No one can protect capital at the rate established. And no one is even saying to what extent he has protected capital against real inflation. I know that hardly anyone is managing to pay dividends to shareholders, and the reason for that is not only the impossibility of doing so, but also the taxes that would have to be paid if profit is declared.

But on the whole the banks are not declaring large profits because their revenues do not allow them. If we indicated capital in hard currency, we would get the real picture of the situation.

[Grlickov] Today, many banks probably would not be able to meet the capital requirement of $2.5 million?

[Mihajlovic] That does not apply to Vojvodjanska Banka. That requirement is a minimum to which banks must adhere. What is more, that is a minimum that does not guarantee normal development of banks, the formation of a good personnel base, reserves.... Nevertheless, I think that the minimum capital requirement should have been adopted much earlier, which would have helped to establish order on the banking market.

[Grlickov] How much has restriction of the level of interest rates been able to influence the capital strength of the banks and furnish an alibi for poor or less successful business performance?

[Mihajlovic] I also think that that measure was a mistake. First of all because it limits interest rates which even up to now have not reached a level higher than 50 percent of actual inflation. That does not make it possible to protect capital, and it does not encourage saving.

It was based on the erroneous assumption that interest rates are generators of inflation. But they are not, because they do not keep pace with inflation. The causes of inflation lie in relations out of adjustment between supply and demand. That is why I say that restriction of interest rates is more a political than an economic measure. I get the impression that this measure was adopted by those who do not like a sound banking system. Someone would like everyone to be bad.

[Grlickov] Preferential interest rates are typical in agriculture. Would your founders be happy about a restriction of the level of interest rates?

[Mihajlovic] They all supported that enthusiastically. But I do not agree with that measure. It did have its social motivation, but those problems should not be

solved in banking. It is another matter that more favorable conditions for agriculture should be guaranteed through government benefits, as is the case everywhere in the world.

[Grlickov] It is well-known that you are a bank in which foreign exchange savings is not a big problem?

[Mihajlovic] It does not have a large share in our potential. The intention is to pay depositors who have small balances, and we have about 200,000 of them whose savings amount to less than 1,000 marks [DM].

[Grlickov] You are well-known as a bank with an aggressive marketing-advertising approach. I recall that in celebration of Savings Day you offered interest rates of 100 percent a month, which at that time were attractive.

[Mihajlovic] We did it because at that time we needed dinars to purchase foreign exchange. Even the interest rate of 100 percent was not as real as it might have been. In any case, we won the confidence of savings depositors, we attracted new ones and we have not lost them. We will continue to engage in that business in the future as well.

[Grlickov] Today, the rate of exchange on the black market is jumping up once again. That is not part of our topic, because it seems not to affect Vojvodjanska Banka, but still I would like to hear your comment.

[Mihajlovic] Today, there is less and less foreign exchange. We waited a year for the realization that all banks should be allowed to set the exchange rate freely, and during that time we lost quite a bit of foreign exchange and foreign currency. Had that been made possible earlier, there would not have been uncontrolled activity on the street market. It is hard to say, but I had the impression that someone liked that situation.

Today, there is less and less foreign currency, and I am afraid that our efforts to obtain it will fall short. If the printing of money continues undiminished, that is the main reason why the exchange rate is climbing at a dizzying speed.

As I say, Vojvodjanska Banka has managed to "swim" successfully even in difficult times without engaging in speculation. We bought up the foreign exchange of our founders and customers, allowing it to remain blocked in accounts, only in cases of imports for allowed purposes.

[Grlickov] The most recent sanctions seem to be narrowing the bank's room to maneuver still more. Along with your observation that there is less and less foreign exchange and foreign currency, this does not open up large prospects.

[Mihajlovic] There will be great difficulties establishing so-called passages and channels, and I think that removal of the sanctions would be the only real way out.